

# SOCIALISATION IN THEORY AND PRACTICE

BY

HEINRICH STROBEL

Minister of Finance in the Prussian Revolutionary Government  
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TRANSLATED BY

H. J. STENNING

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## TRANSLATOR'S PREFACE.

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The author of this book occupies a peculiar position in the German Socialist movement. As a representative of the Independent Social Democratic Party, he was appointed Finance Minister in the Prussian Revolutionary Government, which came into existence in November 1918. Subsequently, he was alienated from the Independent Socialists by reason of their fanaticism, and the partiality they exhibited towards Bolshevik doctrines. On the other hand, Herr Ströbel was unable to sympathise with the war-time policy of the German Majority Socialists, and found much to condemn in their methods of handling the internal troubles which broke out in Germany soon after the Revolution. This Revolution had brought political power to German Socialism, with a suddenness and completeness which took many Social Democrats by surprise, and this fact largely accounts for their moral inadequacy and practical unreadiness when confronted with the problem of Socialisation.

Herr Ströbel's candid temperament and detachment enabled him to write the most satisfactory and informative account of the German Revolution, as a whole, that has yet been published, and the same qualities were even more necessary in the writing of *Sozialisierung-Ihre Wege und Voraussetzungen*, of which an English translation is now submitted to the public with the title *Socialisation in Theory and Practice*.

As the Socialist Parties in Western Europe approach nearer to the goal of political power, the question of Socialisation will be forced more and more into the arena of political contention. The British Labour Party, which has made significant progress within recent months, draws its inspiration from the economic doctrines of Socialism.

Alike to friend and opponent of Socialist developments, it is of urgent importance to be conscious of the full meaning and the various social implications of a policy directed to the socialisation of vital industries.

The Russian experiment in the application of Communistic principles has passed through strange vicissitudes during the past four years, and the section devoted to this subject by Herr Ströbel emphasises the salient features of Communist policy, and describes the social and economic consequences which have flowed from it.

The political and economic history of Germany during the two years which followed the Armistice, comprising a protracted civil war and violent political agitations all clustering round the question of the economic transformation of society, has not received from the members of the British Labour Movement a quarter of the attention that has been bestowed upon the Russian experiment. Yet the experiences of industrial Germany are more relevant to the immediate aspirations of British Socialism than the dissimilar economic structure of Russia.

Herr Ströbel has described the scope and the consequences of the recent experiments in Socialisation undertaken in three European countries, and has related the practical details of these endeavours to the general principles of Socialism.

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# SOCIALISATION IN THEORY & PRACTICE

## CHAPTER I

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### I. THE OBJECT : SOCIALISATION

#### *What does Socialism aim at?*

THE practical work of Socialisation that has been achieved in Germany since the 9th November, 1918, has been in inverse ratio to the eagerness with which the meaning and implications of the term "Socialisation" have been discussed. The tendency towards speculation and theoretical hair-splitting, which is usually ascribed to Germans, has here been given full scope.

Every political section, every economic group, every type of theoretician, was able to develop its special definition of Socialism. And while endless disputes went on concerning the essence and methods of socialisation, the economic and political power of Capitalism recovered possession, without hindrance or challenge, of the seats of public authority from which it had been temporarily dislodged by the events of November.

To-day, no less than formerly, Socialism still dwells in the realm of imagination, and instead of the first real attempt to practise socialisation, there has been a plethora of socialisation theories.

In a Social-Democratic meeting for the Prussian Landtag elections, at which the socialisation question was broached, a young economist expressed his opinion that it was time to speak out definitely regarding this problem. At least, there ought to be no confusion as to what is understood by socialisation. For a long time past, there has been lacking any common agreement as to whether complete socialisation or partial socialisation is correct, whether socialisation is to proceed horizontally or vertically: whether preference is to be given to the principle of nationalisation or that of Guild Socialism: whether the Capitalists shall be expropriated immediately or gradually: whether Socialist organisation shall proceed from the starting-point of production or that of consumption, and so on *ad infinitum*. Although it is indisputable that Socialists must come to a clear understanding among themselves as to all these questions, if socialisation is ever to be carried out, in any form and in any sphere, we do not propose to commence this book with a formal analysis of the conception of socialisation. As, in our judgment, the deductive method is by far the best to apply in economic matters, we shall provide a comprehensive answer to the question as to the essence and methods of socialisation, at the end of our exposition.

We hope that such an answer will not give the impression of being a pretentious and debatable thesis, but will represent a simple and almost unquestionable conclusion from a long chain of facts and series of observations.

Although we may hope to find out most surely the methods and direction of socialisation by an investigation into the experiments in socialisation which press upon our notice, and an examination of the literature and reports upon socialisation, yet every exploration of the socialisation problem must begin by considering the question: "What is the basic idea: what are the objects of Socialism."

At the conclusion of the first volume of *Capital* is to be found the famous passage in which Karl Marx traces, with rare conciseness, the course of the historical development and describes the tasks of the proletarian class struggle. "Self-earned private property, that is based, so to say, on the fusing together of the isolated, independent labouring individual with the conditions of his labour, is supplanted by capitalistic private property, which rests on the exploitation of the nominally free labour of others." But as soon as this process of transformation has sufficiently decomposed the old society from top to bottom, "the further socialisation of Labour and further transformation of land and other means of production, as well as the further expropriation of private proprietors, takes a new form. That which is now to be expropriated is no longer the

labourer working for himself, but the capitalist exploiting many labourers—the monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished, alongside with and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.”

And a middle-class economist writes: “What is this objective of Socialism? The abolition of private property in the means of production—Socialism is that tendency in economic thought which conceives as desirable the abolition of private property in the means of production.”\*

German Social-Democracy itself has incorporated the socialist objective in its programme. The fifth clause of the Erfurt Programme reads: “Only the transformation of capitalist private ownership of the means of production—land, mines and minerals, raw materials, tools, machines, means of transport—into social property, and the transformation of commodity production into socialist production, undertaken for and by society, can achieve the end that large scale production and the constantly increasing productivity of social labour, instead of being a source of poverty and oppression for the classes that have hitherto been

\* Professor Karl Diehl: *Ueber Sozialismus, Kommunismus und Anarchismus.*



exploited, shall become a source of the greatest prosperity and most general harmonious development."

In his work, Kautsky expressly underlines this acknowledgment of socialisation. "To replace private ownership of the means of production by co-operative ownership is what the economic development renders ever more urgently necessary."\*

Whoever is in earnest in the desire to substitute this co-operative property for capitalist property must demand the abolition of commodity production, and advocate production for use instead of production for sale.

Kautsky's book upon the Erfurt Programem appeared in the year 1892, but also in the report which he presented to the Workers, Soldiers and Peasants' Councils of Germany, on the 14th April, 1919, Kautsky recommended the adoption of a resolution which read: "The economic emancipation of the Proletariat is not possible without a socialised economy, that is, without replacing capitalist production for the market, with the object of profit, by a form of production which will be conducted by society and for society." And if Kautsky points out that this Socialist reorganisation of the community is a task which cannot be carried out without preparation and only gradually in the course of a process of reconstruction lasting for years, he also emphasises in the most definite manner how it is all the more

\* The Erfurt Programme.

urgent for this task to be taken in hand by a Government which is resolved to proceed with the work of socialisation in the most energetic fashion, and will not allow itself to be distracted by the opposition of the old forces of the Capitalists, the Agrarians and the Bureaucrats. The existing government does not show that it is possessed by this idea ; it has already allowed too much precious time to pass, without accomplishing anything more than empty promises.

*The Absence of a Socialisation Scheme.*

Opponents of Socialism have made much merri- ment out of the embarrassments into which German Socialism has fallen by reason of the fact that, after its political victory, it was so helpless in face of the economic exigencies.

At the moment when political power fell into the lap of the Socialist Proletariat, its leaders were never once in agreement as to the measures which ought to be adopted for the systematic and progressive reconstruction of the economic life. They were familiar enough with the nature of the Socialist goal and also with the trend of economic development, but completely in the dark as to the stages to be traversed, and the details of a socialisation scheme.

That German Socialism was caught unprepared when that momentous historical situation arose, for which it had yearned in the days of its arrogant

youth, is partly due to the catastrophic development which has characterised events in Europe since July, 1914. Nobody had seriously counted on the outbreak either of the world war or of such a revolution. The idea of evolution, of a gradual transition into the socialist society, was becoming more and more acceptable.

The War and the War policy had split the party, provoked a bitter strife between the supporters of "national defence" and the champions of the class solidarity of the international Proletariat, and thus hindered any thorough theoretical and psychological preparation for the coming tasks of German Socialism. The triumphs of Bolshevism in Russia did the rest. While it filled a proletarian minority in Germany with revolutionary frenzy, and goaded them into the most reckless enterprises, the importation of Communism into Germany and the blustering demand for a Soviet Dictatorship drove the Right Socialists, even within a few days of the 9th November, again into the arms of the middle classes and the old militarism. Strikes, plots and punitive expeditions of the Noske troops filled the country with their tumult, continuously increased the economic and political chaos, and prevented any serious attempt to transform society upon socialist lines. The socialist parties were weakened by civil war, and later, at least, by endless party disputes to a state of impotence, while the middle classes visibly gained in strength and self-confidence and at length recovered a firm hold of the reins. All these phases, which can only be

indicated here, have been<sup>\*</sup> fully described by the author.\*

Nevertheless, German Socialism is not without responsibility for the helplessness and confusion which came over it after its accidental victory of the 9th November. Since the Revolution, it has been dogged by the fatality that previously it had paid far too little attention to the question of what transitional measures ought to be adopted after the conquest of political power. The most important social-democratic theoretician of the present generation, Kautsky, had never belonged to the optimists who had regarded a peaceful and evolutionary progress towards Socialism as a settled thing. In the book<sup>†</sup> which he published in the year 1909, and which quickly ran into three editions, he sharply questioned the hopes of the many reformist Socialists, that the Proletariat "without a revolution, that is, without a considerable dislocation of power in the State, simply by a wise policy of co-operation with the middle-class parties which are nearest to the Proletariat" would achieve political supremacy, and he uttered some prophetic words as to the danger of a world war. But in spite of the fact that Kautsky had expressed some very weighty opinions as to what ought to happen "On the Morrow of the Revolution," even he had under-estimated the necessity of having ready, for any emergency, a plan of

\* Heinrich Ströbel: *Die deutsche Revolution Ihr Unglück und ihre Rettung.*

† Karl Kautsky: *Der Weg zur Macht.*

economic operations, at least settled as to their broad outlines, and of making a large General Staff of the party thoroughly familiar with it.

That German Social-Democracy, as in the famous debate upon the future State, which created so much noise in the Reichstag in January and February, 1893, had always disappointed those who expected it to sketch a picture of the future State in all its social and trivial details, was quite understandable in the light of its basic conception. For, according to the economic conception of history, the so-called "materialist conception of history" which was developed by Marx and Engels, and which had become an intellectual heritage of German Socialism, the socialist order of society is not a structure of the future, based on the excogitated plan of a philanthropic world-reformer, but the natural and necessary result of the course of economic social development. In his work, *The Development of Socialism from Utopia to Science*, Friedrich Engels clearly defined the boundary between modern "scientific" Socialism and the Socialism of the Utopians, and also deprecated the sketching of social schemes evolved out of one's own mind. Yet Engels speaks with the greatest esteem of men like St. Simon, Fourier and Owen. "The Utopians were Utopians because they could not be anything else. At a time when capitalist production was so little developed, they were compelled to evolve, out of their own minds, the elements of a new society, because these elements had not yet become generally visible in

the old society itself. On the other hand, to-day the tendencies of capitalist development, which urge forward the realisation of Socialism, lie clearly before our eyes.

"Since the historical appearance of the capitalist mode of production, the appropriation by society of all the means of production has often been dreamed of, more or less vaguely, by individuals, as well as by sects, as the idea of the future. But it could become possible, could become a historical necessity, only when the actual conditions for its realisation were there. Like every other social advance, it becomes practicable, not by men understanding that the existence of classes is in contradiction to justice, equality, etc., not by the mere willingness to abolish these classes, but by virtue of certain new economic conditions.

"Whilst the capitalist mode of production more and more completely transforms the great majority of the population into proletarians, it creates the power which, under penalty of its own destruction, is forced to accomplish this revolution. Whilst it forces on more and more the transformation of the vast means of production, already socialised, into State property, it shows itself the way to accomplishing this revolution. The Proletariat seizes political power and turns the means of production into State property.

"But in doing so, it abolishes itself as Proletariat, abolishes all class distinctions and class antagonisms, abolishes also the State as State."

We meet with exactly the same line of thought

in Kautsky's book on the Erfurt Programme. He devoted there a chapter to the "construction" of the future State, in order to demonstrate that social forms arise in a different manner from buildings. Opponents are unable to conceive of Socialism except in its utopian aspect. "They look upon the socialist commonwealth just as they would upon a capitalist enterprise, a stock company for example, which is to be "started," and they refuse to take stock before it is shown in a prospectus that the concern will be practicable and profitable. Such a conception may have had its justification at the beginning of the nineteenth century ; to-day, however, the socialist commonwealth no longer needs the endorsement of these gentlemen.

"The capitalist social system has run its course ; its dissolution is now only a question of time. Irresistible economic forces lead with the certainty of doom to the shipwreck of capitalist production. The substitution of a new social order for the existing one is no longer simply desirable, it has become inevitable.

"As things stand to-day, capitalist civilisation cannot continue ; we must either move forward into socialism or fall back into barbarism.

"In view of this situation it is wholly unnecessary to endeavour to move the enemies of Socialism by means of a captivating picture. Anyone to whom the occurrences of the modern system of production do not loudly announce the necessity of the socialist commonwealth will be totally deaf to the

praises of a system which does not yet exist and which he cannot realise or understand."

Moreover, the construction of a plan upon which the future social order is to be built has become, not only purposeless, but wholly irreconcilable with the point of view of modern science. The economic transformation is so rapid that the human intellect can only leap after it. Only the trend can be discovered, and even the recognition of the trend of social progress has its limits. "The organisation of social life is most complex; even the clearest intellect finds it impossible to probe it from all sides and to measure all the forces at work in it with sufficient accuracy to enable him to foretell accurately what social forms will result from the joint action of all these forces. Much would be gained for the cause of progress if a party could ascertain the tendencies that lead to a new social order, so that its political activity could be a conscious and not merely an instinctive one. At the same time, never yet was there a political party that looked so closely into the social tendencies of its time, and so thoroughly understood them as the Socialist Party."

Speculation upon the probable nature of the socialist society is certainly not useless or harmful. "The useless and harmful thing is the making of positive propositions for bringing in and organising the socialist society. Propositions for the shaping of social conditions can be made only where the field is fully under control and well understood."

Undoubtedly, Marxism represented an enormous



advance, when it based the hopes of Socialism upon the iron sanction of economic development and the social reactions of the proletarian class struggle, in opposition to Utopian Socialism, which expected the realisation of Socialism from the influence of reason and justice.

But, unfortunately, the conviction of the economic and social inevitability of Socialism, was interpreted too much in modern socialist practice as a kind of historical fatalism and economic mechanism. This element of fatalism is not implicit in the theory of Marxism itself. Marx, Engels and Kautsky insist, in numerous passages, that economic necessity is no mechanical process, but that every kind of economic pressure upon human society sets up psychological reaction. But this psychological momentum, the recognition that an economic condition must first be transferred into the moral consciousness of the masses before it can release revolutionary and socially transforming effects, has been too much misunderstood and neglected in the propaganda of German Social Democracy.

Thus Kautsky's conclusion that sketches of the Socialist State are unnecessary, contains only half a truth. It is undoubtedly true that modern technical development, new discoveries and inventions in the conditions of production and communication are liable to undergo such rapid transformations, that even the most careful planning of a future Socialist society would be obsolete in a few years. But such a book as Bebel's *Woman and Socialism* showed that an enthusiastic

and confident description of socialist development need not be an idle and unprofitable task. Scarcely any other propaganda book has won to Socialism so many and such ardent supporters as this work, which frequently borders on the Utopian, which has passed through fifty large editions, and which has been translated into the languages of all civilised peoples. The modern proletarian and socialist has his emotional needs too, and does not wish only to strengthen his understanding, but also to give play to his fancy. If Socialism does not satisfy the psychical needs of the masses, it must expect these masses, on the first opportunity, to succumb to the influence of some other ideology, such as religious influences, the appeal of nationalism or other tendencies of the time.

The attempt to elevate Socialism into a philosophy, and to bring all spheres of intellectual and scientific activity into close connexion with the basic ideas of Socialism, which is regarded so impatiently by many narrow spirits, is for that very reason completely justified.

So long as Socialism does not succeed in opposing to capitalist ideology, in its most important manifestations, a Socialist ideology which is equally well-founded, just so long will it be powerless—in spite of the propitious nature of the economic prerequisites—to dissolve the social order of capitalism.

It was calamitous for German Socialism that the discussion of a socialist policy of transition had been so completely neglected that there was

not the slightest agreement as to the measures and changes that would be necessary after the seizure of political power. Marx and Engels had never given special attention to this transitional period. Their few pronouncements upon this, as we now realise, supremely important and difficult problem, were so laconic, and, above all, so ambiguous, that Lenin and Trotsky, on the one hand, and Kautsky and his colleagues, on the other, are apparently able to appeal to the letter of their authority. Marx and Engels, too, were the children of their time, although in a different way from the great Utopians. With astonishing historical insight they perceived, in broad outlines, the motive forces of contemporary social development, but the details were hidden from even their unusual genius. As we have already seen in the quotation from Friedrich Engels, they spoke of socialist measures in the transitional period only in occasional sentences, in large and vague generalities. Where we discover complicated tasks, their revolutionary temperaments saw, especially in their youthful period, smooth solutions. Later, as the Social Revolution retreated into the distance, the problem of the transition to Socialism seemed to lose much of its actuality, at least for the majority of German Socialists. Only Kautsky and a small group of leaders reckoned on the possibility of a catastrophic development. And only on the *possibility*. For had they reckoned, with any degree of definiteness, upon being confronted with the task of socialisation, soon and

personally, assuredly they would not have failed to grapple with the problem, and to prepare the members of the party. Thus all was left to the happy inspiration of the hour, and the true instinct of the masses. Unfortunately, both failed at the critical moment.

Not to be unjust to Kautsky, we must acknowledge that 20 years ago, he was perfectly clear how much the task of a social revolution would be complicated by a preceding war. A revolution, which springs out of a war is heavily loaded with tasks which are not proper to it, but which momentarily absorb all its strength. "Consequently, a revolution which arises from war sometimes coincides with a failure of revolutionary energy, if the latter is prematurely summoned by war to perform tasks for which it is still too feeble. The war itself may accentuate this weakness, by the sacrifices which it involves, and by the moral and intellectual degradation which a war usually produces. There is thus an enormous increase in the tasks of the revolutionary regime, and at the same time a draining of strength."\*

In spite of all, even the demoralisation wrought by the War and the confusion produced by the Bolshevik agitation, would scarcely have caused such devastation among the German Proletariat, if the intellectual preparation for the organising tasks of the revolution and the revolutionary training of the Proletariat had not been so regrettably neglected.

\* Karl Kautsky : *The Social Revolution*.

*The Necessity of Socialisation.*

According to the Socialist conception, the overcoming of the capitalist order of society by Socialism is to be effected with all the necessity of a natural law. We have already quoted the sentence from Engels where this idea is expressed in classic form. "Whilst the capitalist mode of production more and more completely transforms the majority of the population into proletarians, it creates the power which, under penalty of its own destruction, is forced to accomplish this revolution." And in precisely the same way, Marx himself establishes the necessity of "bursting asunder" the "Capitalist integument," the "expropriation of the expropriators." "Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all the advantages of this process of transformation, grows the mass of misery, oppression, servitude, degradation, exploitation; but with this grows also, the revolt of the working class, a class always increasing in numbers, and disciplined, united and organised by the very mechanism of the capitalist mode of production itself." (*Capital*.)

That the prophecy by Marx and Engels of the accumulation of capital and the concentration of business has been constantly fulfilled, at least, in industry and commerce, is proved by the results of the German Census of Occupations, which have been quoted so often that it is not necessary to repeat them here in detail. It suffices to mention

that in the period of 25 years from 1882 to 1907, in spite of an increase of population of 36.48%, the number of independent persons engaged in industry decreased by 10.6% (234,034 persons), whilst the number of workers increased by 4,496,882. During the same period, between 1882 and 1907, the number of persons engaged in commerce increased by 310,584, or 44.3%, but the numbers of salaried persons and workers increased at the same time by 364,361, or 358.8%, and 1,232,263, or 169.4% respectively.

A similar course of development is not to be observed in agriculture. On the other hand, inequality in possessions is so great that large masses of the small and intermediate classes of peasants could certainly be won to a revolutionary and socialist policy, if only the industrial proletariat were first welded into an united party with a single purpose, and Socialism was thereby enabled to develop its propagandist energies to the utmost extent. In the year 1907, agricultural undertakings were classified as follows, according to numbers and area :—

<i>Hectares.</i>		<i>Number of holdings.</i>	<i>Area used for agriculture.</i>	<i>Total area.</i>
Under	0.5	2,084,060	359,558	619,066
0.5 to	2	1,294,449	1,371,758	1,872,936
2	„ 5	1,006,277	3,304,878	4,306,421
5	„ 20	1,065,539	10,421,564	13,768,521
20	„ 100	262,191	9,322,100	12,623,011
100 and over	...	23,566	7,055,018	9,916,531

The disposition of classes in Germany undoubtedly furnishes the necessary conditions for a transformation of production on socialist lines.

But the economic structure is not sufficient by itself; it is also requisite that social phenomena should have found their corresponding expression in the social consciousness. A recognition of this fact is in no way alien from socialist theory. "Everything that sets men in movement must pass through their minds, but what shape it assumes in their minds depends on circumstances."\* Among the circumstances which determine the feelings and social strivings of humanity, a first place must be assigned to the level of material and cultural needs. When such a level of needs is ascertained, it is a matter of indifference whether the "impoverishment" of the proletarian masses, of which Marx speaks, is absolute, or, according to Kautsky's interpretation, relative. As all human scales are settled by comparison, the degree of social dissatisfaction depends chiefly upon how the situation of the propertyless class appears in relation to the position of the possessing class. And, in this respect, it can be asserted without any exaggeration that in the course of capitalist development, the social gulf between the working classes and the employing classes has been scarcely narrowed objectively, but has been considerably widened subjectively.

It will not be disputed that during the ten years which preceded the war, not only the money

\* Engels: *Feuerbach*

incomes, but also the purchasing power of the German workers increased. Yet the Prussian Income Tax returns reveal in the most striking fashion the shameful and revolting fact that the capitalist system, in spite of all economic and technical progress, condemns the immense majority of the people to an existence which is less than civilised. For what do these figures show? That in the year 1916, 37.5% of the entire population had an income of less than 900 marks. The apologists of capitalism make much of the fact that in the year 1896, this poorest section comprised 67.2% of the population, and that subsequently a remarkable raising up of the level of the broad masses has taken place. In reality, this only indicates that some millions, whose income formerly fluctuated just below the 900 marks level have, in the course of 20 years of unequalled economic prosperity, slightly overstepped this boundary. That there can be no question of an appreciable social elevation of the broad masses, is proved by the statistics of incomes above the 900 marks level.

<i>Category of Income.</i>	<i>Number of Persons.</i>
900 to 3,000 marks	... 6,666,601
3,000 „ 9,500 „	... 693,798
9,500 „ 30,500 „	... 117,843
30,500 „ 100,000 „	... 26,602
Over 100,000 „	... 6,685

Thus, out of a total of 7,506,529 persons, only 841,928 possessed an income of more than 3,000



marks. Of the remaining 6,666,601 persons, almost two-thirds, namely, 4,082,148 persons, had incomes between 900 and 1,500 marks. The fuller details are as follows :—

<i>Category of Income.</i>	<i>Number of Persons.</i>
900 to 1,050 marks ...	... 1,282,412
1,050 „ 1,200 „ ...	... 1,089,905
1,200 „ 1,350 „ ...	... 860,515
1,350 „ 1,500 „ ...	... 849,316

These 4,082,148 persons, with incomes between 900 and 1,500 marks, possessed together a total income of 4,783 millions of marks ; on the other hand, the 33,287 persons, with incomes of over 30,500 marks, possessed a total income of 3,035 millions of marks.

The material deprivations of the broad masses are accompanied by their exclusion from everything which makes up the essence of civilisation. “ We have general compulsory education. Does this enable all those who are capable of it to share in the heritage of civilisation ? We know this is not the case. In the country schools a scanty portion of reading, writing, arithmetic, a little history, housewifery and singing are taught, in addition to religious instruction. In the lowest grade town schools scarcely more. The children learn somewhat more in the better class schools, but everyone knows how little it is, and that it is insufficient. Of foreign languages and civilisation, of art, music, poetry, of

the structure of the body politic and of the nature of the community, of the State and its organisation, of the significance of their future work, of philosophy, science and universal religion, they learn nothing or ridiculously little. Instruction in continuation schools is more of a practical nature. The daily occupation of the workers does not leave them sufficient time, and what is learnt is in part quickly forgotten. They can only laboriously acquire more knowledge, but they certainly have no proper period of maturity, no leisure, no possibility of "brooding," or puzzling, or finding their way on their own account. Cinemas and the dancing floor represent the "highest" for them. This is the fate of millions and ever new millions each year. Among them are thousands who are born with the capacity to be artists, scientists, judges, engineers, teachers, organisers, etc. Our social order is so arranged that hundreds of thousands of creative and civilising potentialities are continually suppressed and remain sterile, and only a small section is permitted to do creative and constructive work, and even this small section is only partially capable, according to the position it occupies, of such labour and such employment."\*

That the workers as a class are not only prevented from raising themselves to a higher level of civilised life, but that even the number of individual workers who are able to overstep their class limits is

\* Otto Neurath und Wolfgang Schumann : *Können wir heute Sozialisieren*.

ridiculously small, is also admitted by eminent social experts in the capitalist camp. Thus Herr v. Siemens declared at the sitting of the Socialisation Commission of the 3rd July, 1920, according to the report: "How many lawyers and doctors have an income above the average? The injustice which I have always felt is that only in isolated cases can the worker raise himself by his capabilities out of the mass. Not 5% have the chance, but, I should say, 0.5% at the very highest."

Thus we are confronted with two facts: (1) the impoverishment of the majority of the people, and (2) that this impoverished mass of the people will never be able to raise themselves to a level of real civilisation, so long as the capitalist economic system prevails. The necessity of Socialism is proved by these facts, for every friend of human progress, who believes in the physical and material salvation of the whole of humanity, and most of all for every socialist.

But Marxism does not mean, or does not mean only, a necessity in the moral sense, but a necessity in the sense of natural law. Does the situation of the moment allow us to speak of the visible effects of such a necessity? The election results do not give an answer in the affirmative. For whereas in the first elections of the Revolution, in the year 1919, Socialism polled 45% of the votes, its share of the votes cast in the elections of the year 1920 sank to 42%, and in the Landtag elections of February, 1921, to 40%. Even when it is remembered that a few hundred thousand workers

have abstained because of anti-Parliamentary ideas, and another hundred thousand, because of disgust at the divisions in the ranks of the socialists, it is, nevertheless, clear that the class situation of the broad masses of the people, oppressed and degraded by capitalism, has not yet been sufficiently transformed into a class consciousness of a revolutionary and socialist character.

Within socialist circles, opinions are sharply divided as to the necessity and the possibility of an immediate transformation of society on socialist lines. The impetuous communist belief in immediate complete socialisation is balanced by absolute incredulity and paralysing scepticism at the other end of the scale, and between these two extremes are the most various shades of opinion. No wonder that the political and electoral pressure of the masses requisite for carrying out a policy of socialisation is at present far too weak to overcome the resistance of the sections which are interested in maintaining intact the capitalist system. The latter are not only supported by the enormous power of capital, by the influence of their industrial and commercial organisations upon official science—of which 99% has a completely capitalist bias—by the old State bureaucracy, by the machinery of all the middle class parties, by the many thousands of middle-class periodicals and newspapers, and the power of the police and military, but also by the inertia and moral indolence of a large fraction of the workers, and finally by the inadequacy of the socialist party, press, and scientific equipment.

*Socialism and Increased Production.*

The old foolish misconception that Socialism is "sharing out," still crops up in the last dissertations upon the practicability and advantages of Socialisation. It is thought that Socialism may be reduced to absurdity by demonstrating how inconsiderable would be the increase in the workers' average income if the whole of existing property and all incomes were equally divided among every member of the community.

In passing, we would say that the defenders of capitalism never made any headway on these lines in popular meetings with a strong working-class element. It was only necessary to quote the following figures. Before the War the total property of the German people was valued at 300 milliards of marks, at the lowest, and the total income of the people at 40 milliards of marks, at the minimum. On the basis of a population of 70 millions, there would consequently be 4,300 marks of property and 570 marks of income per head. Thus, a working-class family of five would have property of the value of 21,500 marks, and an income of 2,850 marks, and this in gold marks. Would not the great majority of the labouring population consider themselves to be infinitely fortunate if they possessed such property and such an income? Modern Socialism does not contemplate any such division. Not from a confiscation of the present profits of private enterprise and their diversion to the workers does it hope

for a substantial increase of the average income of the community, but from the rationalisation of the whole of social economy, which it confidently expects to result from the application of the economic principles of Socialism. There are, indeed, Socialists who do not wholly share this hope of such a large increase in the productivity of labour in a society which is organised throughout on socialist lines. Among them is the former Under Secretary for State, August Müller, who wrote, after the Revolution, "It is doubtful if the ideas concerning the possibility of increasing the output of labour are not exaggerated. Socialist literature inclines to a very optimistic estimate of the possibilities of industrial development."\*

If the pessimism of August Müller that even a socialist community could not appreciably raise the productivity of labour, were well founded, Socialism might as well abandon its tasks. Everything in the socialist movement which goes beyond the most modest social reform and trade union activity would, under these circumstances, have barely a justification for its existence, and the capitalist system would represent the most perfect economic and technical form for the social production of commodities. The quarrel about the extent and the division of profits would then centre round the merest trifles. Both the mission of Socialism to transform society and the workers' hopes of salvation would receive their death-blow. For if an improvement in the standard of life equal

\* Dr. August Müller: *Sozialisierung oder Sozialismus*

to 10 or 20% were the highest which the working class and the sections of the population similarly situated may expect as the reward of their struggle for emancipation, this would signify nothing less than the perpetuation of present-day mass poverty and the uncivilised conditions of our time.

Fortunately, however, the pessimism of August Müller is entirely baseless. The calculations by Müller and others as to the distribution of profits do not prove anything at all. Moreover, they ignore, with astonishing credulousness, the capitalist practice of concealing profits by income tax declarations which are too low, etc. The utmost that can be concluded from them is that which Walther Rathenau asserted in the Socialisation Commission on the 15th May of last year. The motive forces of capitalist society have been, at the worst, "brutal egoism," at the best, however, "strong ambition, combined with great practicability and conscientiousness. The Marxians speak of the enormous exploitation of the masses, but I say that capitalism has been worked more cheaply than any social system of a financial or economic kind will again be worked. He estimates the amount that the capitalist classes of Germany would be able to save yearly by renouncing superfluous luxuries to be 1 to 1½ milliards of marks at the most. Even if the luxury expenditure of the capitalist class be estimated at double or threefold, in which we need not take account of the present rage for excessive spending, we could concede to Rathenau that capitalism, within its

limits, has not worked irrationally or wastefully. Rathenau did not intend to assert more than this. For in his book, *The New Society*, Rathenau has most decisively contradicted the notion that the capitalist social order is the best and most economical of all conceivable systems, to which fact his attention was drawn by Hilferding, amid loud applause, at a sitting of the Commission on the 27th May.

In the above-mentioned book, Rathenau champions the immensely important economic theorem that the coal consumption of Germany could be reduced to one half if the technical side of coal production were developed to the extent of which it is at present capable. Rathenau has repeated and proved his statement before the Socialisation Commission. Thus, at the sitting of the 14th May, he emphasised the importance of the task of organising the consumption of coal in Germany upon a rational basis, as twice as much coal is used as would be necessary with reasonable economy. "The man who to-day has in his works a 100 horse-power steam engine which consumes 12 kilogrammes of coal for each unit of horse power, commits a real offence against the community. If someone throws a piece of bread out of the window, we are indignant, but the man who uses the labour of 10 or 12 Germans merely because it does not suit his pocket to instal a new machine, is called an industrial magnate, or a captain of industry." And a second great industrial expert, Von Siemens, at a subsequent



sitting, supplemented Rathenau's conclusions: "The ideal thing would be to pass a law that no more coal is to be wasted, and that it must be analysed into its component parts, so that the utmost social and economic use may be made of it."

Hundreds of thousands of workers are unnecessarily engaged in mines and coal-using industries through the inexcusably defective utilisation of coal, and are thereby prevented from producing useful products which would substantially increase the income of the people and the consumption of the masses.

If it be objected that it is possible to effect a more rational consumption of coal even within the capitalist system, the fact nevertheless remains that up to the present this has not happened, and the scientific and technical progress in this field is likely to be exploited all the more reluctantly the less an external political necessity (compulsory deliveries of coal and reparations) or a strong capitalist incentive to profit exists. If in course of time, the coal shortage of the last few years should be converted into a superfluity of coal, the wastage of coal and human labour power and the non-utilisation of the most evident possibilities of technical and public improvements would not cause capitalism the slightest scruples of conscience.

In his *New Society*, Rathenau also emphasises the absence of system in the present social order of capitalism. Science has already solved

the problems of technology, of transport, of the utilisation of coal, of normalisation, standardisation, in short, all the most important problems involved in putting the life of the community on a rational basis; what is wanting is the practical application of science. Private enterprise lacks the capacity and the goodwill to translate the achievements of science into practice. Rathenau, therefore, looks to the creation of new organisations "vocational associations," and "industrial associations" which are to control all branches of industry, of handicraft and of commerce, in accordance with an uniform plan. We meet here the germ of the idea of organisation which Rathenau later made the basis of his proposal for the socialisation of coal. As we shall become familiar with Rathenau's organisation scheme when we deal with the socialisation of coal, we refrain at this point from a detailed description of it. For the time being, it is sufficient to indicate that Rathenau proposes to replace the individual and casual economy of capitalism by scientifically conducted industry and a general economic plan. He, therefore, recognises the backwardness, senselessness and unproductiveness of the existing system.

Rathenau's ideas have encountered vigorous opposition among the industrialists and the economists. It is understandable that any attack upon the sovereignty of private enterprise should be disliked. So far as the organisation of industry into cartels, syndicates and trusts is inevitable,

this should at least serve the special interests of the undertakings, and not be used to change the capitalist associations, which exist to promote capitalist accumulation and concentration and the sovereignty of the trust magnates, into public associations, mixed with a half or quarter dose of Socialism. How can it be expected of our great industrialists and capitalists, whom the most recent phase of capitalist development has inspired with an intoxicating sense of power—and all history, experience and class psychology prove how the sense of social power completely dominates the mind—that they will voluntarily, for philanthropic reasons, renounce their power and their advantages? How can this be expected of them when scientists like Steinmann-Bucher declare the mass poverty of the workers and the prevailing division of classes and incomes to be a state of ideal justice. Naturally Steinmann-Bucher belongs to the most violent opponents of Rathenau's organisation scheme. How much more correct is Dr. Rudolf Goldscheid when he pronounces the following judgment upon scientists of this description :

“ Stripped of all disguise stands to-day official political economy, so passionately defended by the praetorian guard of the ruling classes. It constantly prates of poverty as a thing decreed by natural laws, and endeavours to persuade us that we are inevitably damned to under-nourishment and overwork, to pain and sorrow, to physical and mental deterioration, because the earth does not

produce enough to secure to all an existence worthy of human dignity." And when Goldscheid continues as follows :

"Who can doubt to-day that we might have changed the hell of proletarian misery into a paradise of the most flourishing civilisation, if, with the same strength and resolution as we put into the organisation of mutual slaughter in war, the most frantic work of destruction, we had mobilised on a large scale against poverty, by a creative exploitation of the immense natural sources of wealth for the good of the community," these generous words contain the essence of faith in the future of Socialism.

For reasons quite different from those of Rathenau, Socialism is penetrated with the conviction that the capitalist organisation of the production of goods has become essentially irrational and an impediment upon production itself. Its historical limitations and necessity, its merits in furthering the development of technology, are recognised by none more unreservedly than by the representatives of Marxism. But also nowhere else is its incompatibility with further technical progress and the advance of civilisation more ruthlessly analysed. In the meantime, this criticism has been endorsed by far-sighted industrialists and by many technical experts.

Otto Neurath is one of those economists who have insisted with great decision and strength of conviction upon the tendency of capitalism to impede production. This eminent writer has

condemned our capitalist economy, in terms which fully accord with Marxism.

"Free enterprise is responsible for immense achievements, not least so in Germany. Our giant towns and buildings, railways, fleets, industrial works, import and export movements, are witnesses to the truth of this assertion.

"We know that mankind has increased in numbers by many millions within the last hundred years, and all these additional human beings are fed, clothed and housed. This has been achieved by free enterprise. But the one thing it has not accomplished is that which was specially promised on its behalf, namely, 'social harmony.' On the contrary, never before was the world of humanity more discordant, more full of haste, clamour, turbulence, contention and enmity. We perceive this social order to be a war of each against all, but looking more closely we see powerful groups of persons having the same economic interests who engage with each other in the closest economic and political struggle. And now we are commencing to criticise this system of free exchange.

"We ask first : Is this economic order as capable of achievements, and as productive as it could be in view of the resources and materials at its disposal? It is not. The devotees of free enterprise do not desire, on principle, to produce as much as is possible. They would rather gain as much as possible, obtain the greatest possible net profits, according to the openly avowed principles

of this economic order. This object is often secured by producing less than the vast majority of mankind would like to have. The decisive factor is not the needs of the majority of men, but the minority's desire for gain.

"What is aimed at is not the material comfort of all, but the affluence of a few. It may indeed happen that large gains are secured by the production of a large number of commodities of a certain kind, and then a large quantity is produced; perhaps so much that the needs of everyone are satisfied. But it happens also that when millions are requiring more commodities, production is restricted by the necessity to realise a profit."\*

And Neurath and his coadjutor then support their condemnation of the irrational character of capitalist economy and its inadequate exploitation of all the possibilities of production by details. They describe the scandalous waste in the using of coal, and emphasise the squandering of human labour-power. Thousands of tasks are to-day performed by human labour of a monotonous and harmful character, which could be executed by machinery. The same neglect characterises the exploitation of technical and economic inventions. In a properly-equipped screw factory it has always been customary to provide 2,831 kinds of taps, in order to make all the conventional number of screws. Is this necessary? No! 470 taps would suffice to manufacture all the really necessary

\* Otto Neurath: *Können wir heute Sozialisieren.*

kinds of screws. Warehouse room, accommodation for workers, numerous machines, all representing a mass of wasted labour power, have to be provided for all the superfluous kinds of taps and screws. And why? Because the competition of the manufacturers decrees it, because production is not carried on for the reasonable needs of all, but for the profit-seeking instinct of individuals. Or do we need 3,000 kinds of table knives? Would not 1,000 sorts of table knives in all be ample? And it is the same with a thousand other commodities. Each year there are new brands, although the old are quite enough; each year there are new labour processes, new manufacturing appliances, new machines, and also new raw materials in abundance. Does the population or civilisation gain anything by such senseless activity? The standard of living, and the state of civilisation prove the contrary.

In addition to this is the waste involved in trade. A good tenth part of all occupied in some calling is engaged in commerce. "Is it not wasteful that for the distribution of commodities among 90 men, 10 others are kept busy? In the streets we see shop after shop, three, four or five tobacco shops close together, six sweetstuff shops, many green-grocers, stationers, grocers, etc. Everywhere we see one shopkeeper outbidding another. Everywhere merchants sit in their offices, and offer commodities in millions of letters; paper, typewriters, etc., are all used in this process. Thousands of travellers journey through the country, using

railways, carriages, clothes and labour power. We pay milliards of marks for this giant apparatus in the shape of increased prices."

Thus on the one hand there is a senseless waste of raw materials, a neglect to exploit the natural and technical sources of wealth, a systematic "sabotage" practised in the satisfaction of the most natural and necessary needs of the masses. On the other hand, an equally senseless conduct of business, in the interests of profit, an inconceivable dispersion and multiplication of the production of commodities to meet the needs of competition, a confused spending of strength, carried to fever point, for follies, superfluities, trifles and whims.

And this economic system, which has degenerated into such folly, has satisfied only a small fraction of mankind.

During the time it has existed, it has caused the immense majority of mankind untold suffering. Even many of the possessing classes have felt keenly "the sorrow and poverty of the masses—many have been profoundly touched by the unrest, the haste, the dissensions and underlying hostility of this period, and its mechanical, materialist and uncivilised character."

The Hamburg merchant, A. E. M. Reeck, in his book, *Waste in Trade*, has impressively demonstrated the immense wastage of labour which is involved in the present system of distributing commodities. Because a disproportionately large number of men derive their existence from the conduct of trade, the prices of goods offered for



sale increase year by year, although the facilities for their production have increased with the transition from small to large-scale businesses. If the existing dispersion of trade should ever be abolished and replaced by national organisation of the distribution of goods, this change would effect a saving of many millions of gold marks. Prof. Robert Wilbrandt has, for his part (*Vorwaerts*, 24th November, 1918), stated that the organisation of the distribution of goods by the community would save the enormous expenses of advertising and commercial travellers.

That the increase in the numbers of middlemen has become a calamity which can no longer be ignored, was mentioned before the Socialisation Commission by the former war-time Food Controller, Batocki himself. He gave truly drastic examples of the wastage of labour and materials which resulted from the demands made by the small traders, under the stress of war conditions. Many small traders during the war openly carried on their businesses in order to benefit themselves and their friends. "I fear that things have become even worse with the post-war development, as now, in addition to the many persons who formerly secured their living in this way, there are many persons whose livelihoods are chiefly supported by allowances, such as war-widows and disabled soldiers." And the Under-Secretary of State, Hirsch, was constrained to endorse the statement of Batocki: "Perhaps I may supplement Herr Batocki's remarks by saying that businesses

with a small turnover have constantly increased. This is a tendency which we can only regard with alarm. Some statistics which I have lately received show that the thinner the stream of commodities becomes, the greater is the number of channels which serve to bring them to the consumer. The measure in which this tendency has grown since the Revolution is appalling, and it is necessary to consider most carefully whether this can be tolerated much longer in the interest of a rational organisation of the community."

For this senseless and hazardous system, in which the much-vaunted competition is unable to prevent such an inconceivable wastage of labour, Socialism seeks to substitute a co-ordinated production for use, which, it is hoped, will lead to a thorough revolution of conditions which are now becoming more and more unbearable. "In replacing the system based on private profit by a system based on social use, the community will regulate production according to the importance of social needs; it will considerably restrict the creation of unproductive goods; it will aim at promoting a healthy circulation of commodities throughout the body politic, bringing production and consumption into ever closer relationship. With a closer insight into actual social needs, the community will not be confronted with constantly recurring industrial crises, and will be able so to regulate imports and exports that nobody will be obliged to emigrate by reason of the lack of the means of bare subsistence. The purchasing power

of the population can be raised in the degree that labour becomes more productive. Owing to the more reliable nature of its mercantile calculations and the still greater stability of prices, the community will be able to reduce social risks to a minimum."

Two preliminary conditions are, indeed, necessary for such a socialist transformation of society on the one hand, psychological predisposition and the ripeness of society; and, on the other hand, the possibility, by the systematic exploitation of all natural, technical and human productive forces, of being able so to increase the production of goods that, in spite of exacting a smaller tribute from labour, the level of comfort and culture of the community will be raised considerably. In later chapters we shall return to the psychological prerequisites for the realisation of Socialism: here we shall only deal with the second preliminary condition.

Bebel has already dealt thoroughly with the question of increasing production by means of more rational methods of labour, and the utilising of the latest scientific discoveries and technical inventions. In the most famous of his publications (*Die Frau und der Socialismus*) he appeals constantly to the calculations and suggestions of economists, technicians and natural scientists in order to demonstrate the possibilities of increased production. Thus he quotes Theodor Hertzlea, who, on the basis of inquiries into the productive capacity of large-scale industry, had estimated,

even in 1882, that with a rational economic system only 13.3% of the working population of Austria would be required in order to satisfy the needs of the whole country. Bebel further appealed to Dr. Kolbrauch, who, in his book, which appeared in 1900 (*Labour, Energy and the Application of Electricity*), had advised Germany to secure a few hundred square miles in North Africa, in order to be able to share in the future utilisation of the heat of the sun, which represents "a wealth of energy" which "far exceeds all needs." Herr Kolbrauch, as Bebel pointed out, was no fanatic, but a professor of Berlin University. Dr. Bebel appeals to a speech made in 1909 by the famous English physicist, Sir S. Thomson, which contained a similar prophecy: "The day is not far distant when the utilisation of the heat of the sun will revolutionise our lives, emancipate mankind from dependence upon coal and water-power, and when all large towns will be surrounded by a powerful apparatus, which will systematically catch the sun's rays, intercept the sun's heat and store it in huge reservoirs. It is the power of the sun which performs all the work of the world." The late leader of German Social Democracy anticipated that an extraordinary increase of the productivity of labour would result from the centralisation and organisation of trade, from the improvement of the means of communication, from the construction of a systematic network of canals, and its employment for systematic draining and irrigation, from the cultivation of the enormous tracts of waste

land, from improvements in the soil, and scientifically conducted agriculture and cattle raising. Bebel was always careful to base his assertions, especially those relating to the possibilities of agricultural development, upon the fully accredited authority of science and unassailable economic experience.

The engineer, Dr. Hermann Beck, shows very clearly how a socialist organisation of the production of goods is bound to raise the productivity of labour. He considers the Taylor system, applied in a reasonable manner, to be one of the most valuable methods of industrial technology. In order to secure enjoyment in work, and thus to stimulate the highest output, everyone ought to be allowed to enter the field of labour which is most congenial and suited to his capacity, where, in a word, he finds himself in his element. A trained worker ought never to perform work which could be done by an unskilled worker after a little experience. The essence of the Taylor system is not only specialisation and output, but also improvement and simplification of the work to be performed, and systematic and thorough rejection of every inappropriate labour process. Neurath, too, has a high opinion of the advantages of the Taylor system, but finds the opposition to it which has hitherto been raised by the workers quite understandable, as, under the capitalist system, the excellencies and advantages expected of it will never materialise.

“A sudden general introduction of the Taylor

system might produce a catastrophe similar to that which followed upon the introduction of machinery, if alongside of it private enterprise continued to exist. How long will it be before the experts in the technical side of labour and industry acquire sufficient insight into the laws of society, and the experts in sociological laws acquire sufficient insight into the technical laws governing labour and industry? ”\*

According to Beck, normalisation and standardisation will also play a big part. The co-operation of the worker in the increasing of output will effect a revolution as regards the improvement of the labour process, the perfection of tools, labour expedients, and especially in the realm of technical inventions. A real economy in man-power, which places every unit of energy just where it will have the greatest effect, is bound to lead to increased production. It is just here that we still persist in dissipating energy in the most deplorable way. It is supremely important to select those persons with capacities above the average.

A new kind of special capacity is now beginning to claim in Germany the recognition which it has already won in full measure in America—the organising expert, who combines in his character technical and engineering science and economic knowledge with business acquirements. “Thus we have organising experts who are specialists in factory organisation, and whose peculiar function is to introduce proved methods of division of labour

\* Neurath: *Durch die Kriegswirtschaft zur Naturalwirtschaft.*

and standardised mass production into already existing businesses, while others find their avocation in the introduction of modern methods of purchasing and selling commodities, of compiling business statistics such as estimates and net costs. All these activities have the common aim of obtaining the greatest output with the least expenditure in energy, materials and time."

What can be achieved by the adoption of standardised mass production is shown by the fact that in America automobiles are produced at prices which represent only a third or a quarter of German prices. Ford sells every year in Detroit hundreds of thousands of automobiles which, because they are manufactured upon one pattern, cost only 600 dollars. The fact that, in America, at least, Capitalism has by wise organisation brought labour to such a degree of productivity has led partisans of Capitalism in Germany to peculiar conclusions. Thus Herr v. Batocki explained before the Socialisation Commission that the question of the loss of friction through bad organisation of production and selling was far too much confused with the question of socialisation. "It is rather part and parcel of the question of organisation, I believe, that the question of the loss of friction through chaotic production and selling is far better solved by the American system of large trusts than it would be solved in Germany by the best system of socialisation. Mr Ford, in the motor industry, and the meat-canning firms in their branch of industry, have probably achieved

more than could ever be accomplished in Germany by any form of regulated economy." Herr v. Batocki quite loses sight of the fact that the capitalist system presents insuperable obstacles to the *general adoption* of such progress in technical economy. Only under exceptionally favourable circumstances is it possible for production to be organised on such appropriate and ample lines, within the capitalist system. It can never become the rule amid the anarchy of competition for markets and profit. It can only become a general practice in a socialised society, which will take over all the technical and organising achievements of Capitalism in their most perfected forms, in order to introduce them throughout the whole area of production.

Professor Karl Ballod, in the year 1898, published an inquiry into production and consumption in the social state, which contained a crushing condemnation of the capitalist social system, and an extremely favourable estimate of the fertility of labour under a socialist system of production for use. Ballod republished this book in 1919, after bringing it up-to-date. He states in the preface that he considers it to be his scientific task to elucidate the problem of what is the best kind of Socialism, which requires so much careful and thorough work of investigation before it can be translated into practice. It is not sufficient to show by isolated examples what a rational method of large scale production can accomplish. It is also necessary to demonstrate what large scale



production is capable of, when it is accompanied by an entire reconstruction of society.

In his book, Ballod undertakes to show what quantity of social labour would be necessary to produce sufficient means of sustenance for the population of Germany. In order to assure to the community the opportunity of a civilised existence, and thus to provide ample leisure for all kinds of voluntary activities (especially for garden work), for pre-occupation with art and science and for recreation, this work is to be performed chiefly by a kind of "paternal compulsory service," which will be imposed upon young men between 17 and 22 and girls of 15½ to 20. Thus the labour power of 3½ million men and 3 million women would be involved. After rendering labour service for five years, such persons would have a right to a life income granted by society, and this income would enable them to engage in whatever occupation or activity they chose for the remainder of their lives. The compulsory service performed by these young persons is to be sufficient to satisfy all the elementary needs of society.

For the transition period, the older members of society are to be drawn into production, with a reduction in the period of compulsory service of 1½ months for every year over the maximum age. Consequently the length of "paternal compulsory service" would be 54 months, that is, 4½ years at the age of 26, 4 years at the age of 30, 1½ years at the age of 50 and three months at the age of 60.

The service to be rendered by the industrial conscripts is to include the provision of better houses for the population. Only a portion of the town population is to remain in town quarters, so far as they reach the hygienic standard to be set up; the remaining portion is to be settled in garden cities. Of course, the ownership of land is to be transferred to society, although the peasant is to be allowed a house for his residence, together with farmyard and garden.

Agricultural production is to be conducted, so far as necessary, upon a large scale, in order to obtain the greatest yield of crops. An area of 500 hectares is to be adopted as the unit, as an undertaking of this size permits the employment of mechanical accessories, and the most rational methods of labour. About 36,000 of such 500-hectare undertakings ought to suffice for the production of all means of sustenance necessary for the population and all raw materials necessary for industry.

Naturally Ballod does not lose sight of the fact, that in order to obtain such a result from labour, agriculture must first be completely transformed by the rebuilding of farms, the provision of machines, and the introduction of improvements, etc. By means of elaborate calculations, he comes to the conclusion that a total of 238 milliards of marks would have to be expended to meet the costs of buildings, and improvements, machinery, drainage, etc. "This seems an enormous sum, but it is only what six months of the war cost us.

The eighth of the total sum which the war has cost us would suffice to transform Germany into a paradise, whose inhabitants need no longer suffer want and anxiety, because, independent of the favour or enmity of other countries, they could raise food from their own soil in quantities more than sufficient, with a quarter of the labour now expended in agriculture."

Ballod sketches a plan of production for industry based on similar elaborate calculations. He investigates in detail such branches as milling, baking, brewing, sugar-refining, tanning, boot manufacturing, tailoring and laundering, tobacco manufacturing, the quarrying and metal industries, and, finally, comes to the conclusion that the whole of agricultural and industrial production could be performed by the continuous labour of the young men and girls, enrolled for five to six years of compulsory service. The quantity of labour necessary for the transitional period during which production will be revolutionised would be so amply covered by the enlistment of older persons that a surplus of 24 million working years will remain over, which could be diverted to other purposes, and, perhaps, to reparations for war damage.

According to Ballod, the total yield of this socialised labour would suffice, not only to afford an affluent existence to 450,000 captains of industry, government officials, lawyers, technical experts, doctors, apothecaries, scientists, artists, priests, pensioners, but also to allow to all those

who have performed six years' national service a "life annuity" which would amount to 1,000 gold marks for a man and 840 gold marks for a woman, or 1,840 gold marks for a family of two. It is to be borne in mind "that no deduction for house rent need be made from this amount, as each person would be in a position to obtain a home with outbuildings and garden by means of a very little extra labour. And in this home he may cultivate vegetables and fruit, keep animals, and thus secure a quite considerable addition to his means of support. He may likewise procure extras for himself by working in luxury trades and artistic handicrafts. Thus it will be within easy reach of everyone who has the desire to satisfy his cultural needs."

However carefully the calculations may be made, Ballod's estimate represents, as he himself admits, only an approximation to the truth. But he assures us that he has been so cautious in his calculations that the execution of his scheme in practice is scarcely likely to lead to less favourable results. There is every reason to accept this assurance in good faith, as Ballod's calculations are everywhere based on the strictly scientific findings of quoted authorities, and upon indisputable technical and business experience. In middle-class circles Professor Ballod has been esteemed for years as a scientist of repute, and when he declares at the conclusion of his investigation, "In no case is it necessary to postpone the socialisation of production to a more or less distant

future, but it can be taken in hand immediately"—this verdict deserves more consideration than the opinions of many practical men with a capitalist bias, and even many socialists, who shrink from such plans of social reconstruction and such estimates of production, and only allow the title of science to that which deviates but slightly from capitalist ways of thinking.

It is, of course, obvious that Ballod only deals with the purely technical possibilities, and leaves out of account the social, political and psychological factors. It is also clear that the political and social psychology is of the greatest importance for the realisation of the technical possibilities. But these political and psychological conditions can be created, when once the technical conditions essential to socialisation are given, by the diffusion of economic instruction, and by inculcating into the minds of the people socialist modes of thought and feeling. Such modes of feeling arise, in the first place, out of the labour processes, and the habits engendered by working-class organisation, but they may be very considerably encouraged by broad instruction in social science, such as Ballod has sought to give. It is sufficiently regrettable that for twenty years in Social Democratic circles the value and purpose of such an investigation as this have not been recognised, and that his endeavours have not been encouraged and supported. It would be wholly wrong if to-day at least a systematic examination of all technical and economic problems were not proceeded with,

as without this any definite scheme of socialisation is impossible. The remarks of Otto Neurath seem to be extremely relevant to this subject :

“ Every factory director, every well-trained farmer, who desires to master the technical basis of his industry, goes to work in the same way as Ballod. Is not national economics, or world economics to be submitted to the same treatment ? An age which depends upon a financial system, and expects more from free competition and chaotic markets than from the regulative effect of a control of all the factors in the economic situation estimates too highly the ability of the capitalist.

“ The immense transformations of the war have given new life to utopianism. The generals and politicians of recent years have, in contempt of traditional social order, endeavoured to make everything serve the ends of military service. No innovation was too great for them if it seemed to promise victory. Family bonds were dissolved, hosts of men were moved to and fro, industry was radically transformed—all within the shortest space of time. Is it, therefore, astonishing that increasing numbers of men should ask the question whether the ends of peace could not be served by efforts similar to those exerted to attain the objects of war ? Is it to be wondered at if mankind is now knocking at the door of the future and asking whether the suffering it has hitherto known must continue to exist and whether the great generals and politicians could not sweep aside traditional

influences, and introduce new ways of living by revolutionising the basis of industry. Perhaps we are on the threshold of scientific utopianism ! In any case, the latter would render better service to our youth than the traditional economic doctrines and sociology, which are confined to the past and the immediate present, and have in no degree kept pace with the enormous upheavals of the war period and the Revolution."

## CHAPTER II.

## COMMUNIST SETTLEMENTS.

THE representatives of the capitalist philosophy assert that a socialist economic system is impossible, because it does not take account of the peculiarities of human nature, and the fundamental laws of the moral life of humanity. Socialism relies on the community sentiment and the altruism of mankind, whereas according to all past and present economic and social experience, the individual is governed only by the motive of egoism. Consequently only a society based upon self interest and competition would guarantee progress in civilisation, and only such a society would possess a capacity for life within the limits of modern technical economy and present-day national development in general. Can any example from the contrary be quoted against this assertion? With the exception of Russia, and, perhaps, Soviet Hungary, hitherto no modern state has made the attempt to replace the capitalist system by the socialist system. We shall devote the succeeding chapters to the experiences of the former states.



As an appeal to the primitive communism of such tribes as still live in patriarchal conditions, to the communism of primitive Christianity and the communism of the cloister, would lead us too far from the present stage of economic and social development, only the communist social settlements and communities which arose during the 19th century remain to be considered in the light of socialist object lessons. From their fate, their successes or failures, we may draw some conclusions as to whether the social principle of Communism is really at variance with human nature. These communistic undertakings may be divided into two groups, according to their nature: those which were organised upon a definite social plan by the Socialist Utopians or their followers, and those which were called into existence as peasant settlements, by religious sects, upon the model of primitive Christian communism. Only the communities of the latter kind manifested any capacity for life, while the settlements of the first kind collapsed within a short time.

The disciples of Fourier embarked upon a whole series of experiments to translate into practice the phalansteries of the master. So far as information respecting these experiments is available, these settlements came to grief owing to the artificial intricacies of their structure and the intractable character of the human material with which they were worked. Instead of beginning, like the religious communistic sects, merely with settlements of peasants and house-workers and only

gradually developing industrial production, the attempt was made to establish an equally advanced stage of agriculture and industrial production. In addition, the workers were divided into groups of workers and into a series of free groups, and were placed in various positions for only a short time, as explained in one of the descriptions of these experiments. The member would constantly change his occupation, to-day performing housework, to-morrow field labour, from these employments passing to industrial activity, and then undertaking intellectual labours, music, etc. Following slavishly, in all the intricacies of their structure, the lively ideas of Fourier, seeking to carry them out in all their details, with masses of men brought together haphazard, unamenable to discipline, the undertakings were condemned to failure from the beginning.

No better fortune attended the attempt of Cabet to put his *Icaria* into practice in the town of Nauwoo, on the middle Mississippi, which had been abandoned by the Mormons. In spite of the not unfavourable economic circumstances, this undertaking was also wrecked by the rigid plan of organisation and the unsuitability of the human material. The attempt of Cabet to impose a too Spartan moral code, and to introduce monotony and uniformity of living which the members found to be unbearable, is supposed to have contributed not a little to the collapse of the enterprise.

It is more surprising that Owen's communistic settlements, too, fell to pieces after a short existence.

For Robert Owen had sufficiently proved that he understood how to put his philanthropic ideas into practice with the greatest success. He knew how to turn a primitive industrial village, with four woollen spinning factories, into a model undertaking that became world famous. "Within a period of four years, the unfortunate and poverty-stricken workers with whom he had commenced became a community which was so exemplary and happy that thousands of visitors, among whom was the Emperor Nicholas of Russia, visited the association every year, and the English Government ordered an enquiry to be made into his system." From his experience as factory director in New Lanark, Owen conceived the plan of forming similar agricultural and industrial co-operative colonies, of 3,000 to 4,000 souls, which would be equipped with all the advantages of large scale industry. These co-operative associations would spread gradually throughout the country and absorb the mass of the labouring population.

In 1824, Owen made a practical experiment with this idea in America, by acquiring the settlement of New Harmony and transforming it into a Co-operative Colony. But after two or three years, this undertaking also sank into a state of disorganisation and anarchy. Again the failure was in great part due to the defective characters of those who made the experiment. For, according to Mrs. Sidney Webb, the communities established by Owen and his followers were naturally enough "the resort of the unemployed—of workers

already degraded by starvation and idleness, or of restless and discontented spirits, incapable of the most elementary duties of citizenship."

A second attempt, which Owen made fifteen years later, was no more successful. The persons who participated "in the majority of cases lacked the capacity and the good will to engage in any productive activity—least of all were they suited to agriculture. For other branches of production there was no market. Book-keeping was defective. Above all, the absence of the requisite preparation for all these things, of proper training and submission to authority, soon produced so many periodical quarrels that after about four years the original idea had to be completely abandoned."—(Huber.)

While one and all of these experiments of conscious and modern philanthropic Socialism came to grief, numerous communistic communities, which began as simple peasant settlements, and, instead of the ideas of civilisation, were based on the spirit of religious sects, flourished to a considerable degree. All these communities arose in the United States, the chief goal of a considerable emigration from Europe, the country of sects and of communistic experiments. The origin of the sects, the ideas of which found expression in the establishment of communistic communities, was often to be traced back to old Europe. Thus the foundress of the Shakers, Ann Lee, belonged to one of the English Quaker groups, which had been frequently persecuted on account of their religious

peculiarities, before she emigrated to America, there founding her own sect. Other sects, out of which developed communistic settlements, derived from South Germany, particularly Württemberg, like the Harmonists, or like the inhabitants of the Zoar community, whose doctrines originated with dissenters from the Württemberg State Church. Even the "Inspirations Community" of Iowa, which organised Communistic settlements in Amana, derived from South German Pietists, who also had a considerable following in Alsace.

The Communistic settlements of these sects arose in the following manner. Their disciples were mostly simple unlettered country people and handworkers, who co-operated in an agricultural community, under the direction of a religious chief, who morally dominated the members. They practised communistic economy on the model of primitive communism, as taught by the Bible. The work was divided and regulated according to the precepts of the elders of the community, and the results were equally divided among the members. Agriculture was closely connected with all kinds of handicraft activity, the work of the smith and the carpenter, tailoring, shoemaking, tanning, and mills, saw-works, brick-works, silk factories, wool manufacture, textile factories, etc., were gradually established. And all these economic undertakings flourished exceedingly. Of the seven villages of the Amana Community it was reported : "The villages have their various industries ; there are two woollen factories, whose fabrics are

unequalled, and which find a large foreign market, The same applies to the linen factories, tanneries, etc. The stores also supply a large outside demand. The factories are equipped with the best machines and keep abreast of the latest inventions."

Production and distribution were regulated as follows: "The elders allot work to the members, according to their capacity and bent. The inhabitants sit down to meals in groups of 40 to 50 persons, in communal houses. Each village has a store, from which the members draw their requirements. Money is not used, but at the beginning of each year, each family receives a credit for a specific amount which is drawn upon at the store for the necessary things of life, clothing, etc. The stores of the different villages have to render each other mutual support, as they are all departments of the Colony. The adjustments are made by the supreme administration. The standard of living and the clothing are of a simple character, as is enjoined by the religion of the Colony. Envy and jealousy are unknown: there is indeed an arbitrator, but he has nothing to do."\*

There is a similar description of the conditions of another communistic colony, the Aurora Community. "Since its establishment there has been no criminal among its members, and no dispute, either amongst its members, or with surrounding neighbours, has disturbed the peace of its existence. There are neither lunatics, nor blind nor

\* Dr. Hans Crüger: *Die Erwerbs und Wirtschafts genossenschaften in den einzelnen Ländern.*

deaf and dumb persons, nor cripples of any kind whatever. This is an unassailable proof of the socialist contention that a community which is freed from the cares of the struggle for existence will also escape the further propagation of crimes and offences, and of mental and bodily ailments, which are scattered so lavishly among the civilised nations of to-day by the unrestricted development of Capitalism."\*

There were indeed considerable drawbacks to set off against the striking advantages of these communistic settlements. The higher forms of mental culture were in little repute and received little encouragement; art and science encountered strong mistrust, and there was little conception of refinement in the modes of living. The relations of the sexes were everywhere blunted to an insipid and gloomy asceticism and marriage itself was mostly regarded only as the indispensable means for propagating the species. In all these respects the conceptions and observances of these religious communistic sects stand in the sharpest contrast to the ideas and sentiments of modern Socialism.

This feature of hostility to culture is no accident, but is part of the assumptions and conditions of life of religious communism. These communities were established by homely peasants and hand-workers, whose religious feelings rejected luxury, refinement and enjoyment. For motives of religious self-preservation, the sectarian spirit despised science, art, and the modern philosophy of

\* C. Hugo: *Die Geschichte des Sozialismus, etc.*

freethinking and hedonism. This intolerant sectarian spirit was also held to be necessary for social reasons. We can see in it the principle of authority which maintained social cohesion, as, without submission to the authority of the elders, which was mainly based on religious grounds, the order and harmony of the community seemed to be threatened. Had modern conceptions of life, with their free sexual morality, their approval of culture, art and comfort, penetrated into the communities, individualistic tendencies would have certainly been able to develop, and probably would have dissolved the religious and communistic bonds of union.

The opponents of Socialism have concluded from the experiences of the utopian and religious-communistic settlements that Communism could only be realised under monastic or religious sectarian conditions. Even Franz Oppenheimer advances this opinion: "As soon as wealth increases, and with it, the possibility of satisfying secondary needs, only one thing can hold a communistic community together, a strong religious bond. When this is lacking, the community is dissolved, or, rather, it is disrupted through its communism. This is proved in a striking way by the histories of Oneida and Bishop Hill. In the first, religion was represented by a hedonism with a strong sexual element, and in the latter the theocratic authority of an inspired leader was missing."\*

\* F. Oppenheimer: *Die Siedlungsgenossenschaft*.



The story of Icaria seems to Oppenheimer to be a specially striking confirmation of his theory. "A communistic settlement is founded, with rich resources in men and capital. It fails completely, and the members disperse in every direction. A small remnant of them, miserably poor, join together in a co-operative association for agricultural production, and after unspeakable deprivations and efforts, reach the state of prosperity which, according to historical experience, is the reward of every community of this kind. And as soon as prosperity appears, and a higher order of desires might hope to be satisfied, some force almost instantly rent asunder these same men who had been firmly knit together in poverty and misfortune. This force could have been nothing else than communism, the effects of which among these democratic atheists were not neutralised by any religious counter action."

Oppenheimer, therefore, asserts that it was precisely the communistic element which disrupted the erstwhile flourishing communistic communities. The success which attended the early efforts of the community was owing to agricultural co-operation, and not to the communistic scheme of organisation. As soon as a certain measure of prosperity was reached, the most diverse personal needs made their appearance, and as their gratification was not possible within the limits of the communistic distribution, the communistic organisation was within a short time completely destroyed by the growing discontent with the communistic bonds and ties.

In the first place, it may be urged against this conclusion that the successful modes of labour which led to prosperity were, in reality, of a socialistic or communistic kind. And this socialistic mode of production was maintained for generations in all the religious communistic settlements, not only in agriculture, but also in industry, which fact is overlooked by Oppenheimer. Of course, the bond of religious enthusiasm was necessary, in order to secure submission to the interests of the community, and renunciation of complex means of enjoyment. But the fact that under the special conditions of these communities, the spirit of religious sectarianism was indispensable does not prove that in other circumstances it cannot be replaced by other agents and moral motives. The failure of the utopian undertakings is, by no means, decisive upon this point. What they did was to fit human material, which lacked both economic and psychological training, and was even unusually unsuitable, into a theoretically discovered scheme of organisation, which was far too complicated from the beginning. It was only to be expected that these attempts, made with adventurers or shipwrecked proletarians, should come to grief. The peasants and handworkers formed productive and technical material for the primitive colonies of the religious sects. These people were laborious and had but simple wants. They were also the most suitable material for theocratic government, because of their social origin, and the lower level of their education. On

the other hand, this defective education and sectarian self-sufficiency prevented the communities from reaching higher levels of culture. Even after the material level was raised, their whole moral and communal life remained in a state of paralysing uniformity. And the less the communistic communities understood how to provide moral satisfaction for the younger generation by fostering art and science, and by awakening ideal needs, the greater was the danger that the young people would succumb to the temptation of the surging capitalist life outside, and be led away by the luxury, the sensual enjoyments and the social licentiousness of capitalism. This affords a very simple explanation of the various crises to which even the religious communistic settlements were periodically exposed, and to which, here and there, they succumbed. Even the Icarian community, which had achieved prosperity, succumbed solely to the disruption caused by the overpowering influence of the surrounding capitalist world.

Thus the experiences of the utopian and sectarian communism prove solely that the economic principle of Socialism, applied in a reasonable manner, promises the most favourable results, and that isolated communistic settlements are only able to maintain their existence under special conditions. They are not in a position to evolve out of themselves the highest civilisation, and by their expansion, to overcome capitalist society. Only when placed upon a broad foundation, and

conducted with general social and State encouragement, would attempts at socialisation acquire significance of a social revolutionary nature.

The fate of the Communistic settlements of North America proves something else, viz., that the monotony and uniformity of religious ascetic communism cannot be tolerated by modern men. So far as they are concerned, Communism can only be applied to production, and not to consumption, or to enjoyment. Kautsky has repeatedly emphasised this point. According to him, if modern Communism is to satisfy the needs of mankind, as it has grown up under modern methods of production, it must secure the fullest measure of individualism in consumption. Through neglect of this principle, which distinguishes modern from primitive communism, the colonies of the modern utopian communists have collapsed.

The gigantic scale of our industry has already made co-operative labour a commonplace. Few obstacles are put in the way of socially organised labour. "In consumption it is otherwise. Modern methods of production which link together all peoples and nations, collect the products of the whole world in the centres of commerce, continuously create new means for the satisfaction of needs, and even new needs themselves, consequently set up among the mass of the population a diversity of personal inclinations and needs, an individualism which formerly was to be found only in the rich and noble classes. The more the

modern worker is subjected to the discipline of co-operation with his fellows, the less he will permit any regulation of his consumption, or his enjoyment. For the vast masses of the population, engaged in modern large scale industry, communism in production on a highly graduated scale is only practicable when it is combined with a far-reaching individualism in enjoyment, using this word in its broadest sense."

This means that Socialism "cannot be brought about by the formation of small associations within the capitalist society, which are gradually to grow and absorb the latter, but only by gaining sufficient power to dominate the whole of social life and to transform it. This power is the power of the State. The conquest of political power by the Proletariat is the first pre-requisite for the realisation of modern Socialism."\*

\* Karl Kautsky : *Der Ursprung des Christentums*.

## CHAPTER III.

## THE BOLSHEVIST EXPERIMENT.

*The Social Formation of Russia.*

To understand the social and political course of the Russian Revolution, and to realise the nature of the bold and despairing expedients of Bolshevism, as well as the tremendous opposition which they have aroused, it is necessary to visualise the social divisions of Russia at the outbreak of the Revolution.

According to the Marxian conception, which, until the Bolshevik attempt to introduce Communism in Russia, was not disputed in Socialist circles, the first condition for the transition to Socialism consists in a degree of maturity in capitalist development which enables the Proletariat, by its numbers, its organisation and its training, to assume political power.

In England and in Germany the industrial Proletariat has already become a majority of the population ; in Russia in the year 1917, it formed only a disappearing minority. The preponderating

majority of the Russian population lived in the country, and not in the towns. According to the calculations of Organowski, the urban population of Russia in the year 1913 amounted to 30 millions in round figures, but the rural population amounted to 140 millions. Thus the rural population formed 82% and the urban population only 18% of the whole community. For Russia proper, the figures of the Central Statistical Committee showed a still more unfavourable proportion for the urban population. According to these, only 18,590,000 persons lived in towns, out of 128,864,000 inhabitants.

The peasants, therefore, and not the industrial workers, formed the enormous majority of the Russian people at the outbreak of the Revolution. It is no wonder that in the last resort the Revolution is not determined by the ideology of Bolshevism, but by the needs of the peasants.

That the peasants generally were susceptible to revolutionary modes of thought, and made common cause with the Russian Proletariat, is explained by their wretched conditions of life and their raging land hunger.

Serfdom was indeed abolished by the law of 19th February, 1861, but the property question was not at all settled in a satisfactory manner. The peasants received portions of land which were totally inadequate, and for which, moreover, they were compelled to pay a high rent to the landlord or the State. A peasant-holding in Russia, in order to be capable of supporting life, should in

any case, comprise more than 5 dessiatines\*, and in districts with extensive cultivation, scarcely less than 10 dessiatines. In only 18 out of the 50 governments of European Russia did the peasants secure an average holding of more than 5 dessiatines.†

The scarcity was bound to become more unbearable, as the peasant population increased, and the numbers of peasants grew from 45 millions in the year 1861 to 100 millions in the year 1905. Consequently, the land allotted to a peasant farm decreased by one half. Massaryk quotes official statistics from pre-revolutionary times to show that 70.7% of the peasants could not earn a minimum subsistence; that 20.4% were able to support only themselves, and that but 8.9% produced more than their own needs. The Agrarian Commission, set up by de Witte, reported in 1903: "In normal harvests the quantity of foodstuffs is about 30 per cent. less than the physiological minimum requisite to maintain the strength of a growing peasantry."

In view of the fact that, in 1912, 130,000 landlords (chiefly the Crown and the Nobility) possessed 85,957,000 dessiatines, and more than 100 millions of peasants collectively possessed only 138,768,000 dessiatines, which meant merely 1.4 dessiatine per head, it is easy to understand that at the outbreak of the Revolution the minds of the peasants were filled with thoughts of breaking up and dividing the large estates, these ideas having been cherished

\* 1 dessiatine = 2.7 acres.

† Otto Bauer: *Bolshevismus oder Sozialdemokratie*.



for many decades. When, in order to maintain their own dominance, the Bolsheviks decreed the expropriation of the large landowners, the peasants immediately divided the land among themselves, according to their humour.

Even Alfons Goldschmidt is obliged to admit that the Bolshevik Revolution was fundamentally an agrarian revolution. Nevertheless, to ease the Bolshevik conscience, he devised the consolation that it was at the same time an industrial revolution, because a "solution of the problem of intensive agriculture, the chief difficulty of the Russian peasants," is possibly only "with the assistance of an enormously-extended industry." The essence of the Russian Revolution consists in "bringing the industrial wealth of the country to agriculture, by means of forcing the pace of technical development, and the help of the class-conscious Proletariat." Goldschmidt here confuses the ideal with the reality, Bolshevik intentions with those hard economic facts, which up to now have constituted the actuality of the Russian Revolution, for no sign has yet been observed of "forcing the pace of technical development," or of an "enormously extended industry." On the other hand, we have heard of the creation of peasant proprietorship by the Revolution.

The actual course of development confirms the opinions of Otto Bauer, who believes that the phrase "the socialisation of the land," conceals the efforts of the peasants to establish, consolidate and extend their private property. "Thus

Socialist ideology may be made an instrument of middle-class revolution, and of the forcible establishment of conditions of private property inland."

In Russia handiwork plays a much smaller part than in Western Europe, where it forms the basis of some of the towns. This is due to the peculiar nature of the development of Russian towns. They did not arise as centres of handiwork, but partly as administrative, and partly as trading centres. It is true that Peter the Great and Catherine II. endeavoured to develop handiwork in the towns, but their efforts remained, for the most part, paper decrees. Handicrafts have, indeed, always existed in Russia, but principally in the villages, and not in the towns (Tugan Baranowsky). In the year 1908, there were 110,000 handworkers engaged in one-man businesses, and 103,469 handicraft businesses employing 2 to 25 persons.

The rural handicrafts are often carried on in the home. The Russian homeworker is mostly engaged in agriculture at the same time.

Here and there, of course, trade activity predominates, when agricultural labour devolves upon the women. It is difficult to ascertain how great is the number of these home-workers, as the estimates vary considerably. While some authorities speak of 10 to 12 millions, others, like A. Rybnickoff, estimate the number at only 2 millions.

This ubiquitous peasant home industry produces the most various objects, according to the

productive sources of the different districts. If we divide Russia into five parts, we should find the home industry of the north-western districts to comprise cart-making, coopers, rope-making, shoe-making; the north-eastern districts, joinery, turnery, basket-weaving, leather and fur goods; the central districts toys and wood carving, fine joinery work, fine copper wares, silver ware; and in the south-western district cart-making, mat-weaving, net-weaving, straw-weaving, and weaving proper.

In the home industry a great part is played by the "artels," those workers' co-operative associations upon which were based hopes of the possibility of socialisation similar to those based on the Mir, the Russian village community. The "artels" consisted in the association of several persons (mostly 3 to 5 or 8, seldom 40 to 50) for the purpose of a common working activity. Their original form was the union of a group of persons for the pursuit of fishing or hunting, in which both the outlay and the proceeds of the undertaking were divided on equitable lines.

Such co-operation in labour and its proceeds arose in the most diverse branches of business, including quarrying, afforestation and the working of metals. Thus there were itinerant "artels" of weavers. Four or five weavers went travelling with a spinning wheel, in order to work up raw material, which would be delivered to them, from place to place. Gold miners in the Urals formed themselves into groups of 5 to 10 persons, in order to share the proceeds of the common effort.

In the case of workers having special skill, as in tailoring, carpentry, etc., the division of the proceeds was made according to the capabilities of the individual.

In some governments, an official called the Starost was at the head of the "artel," and he functioned as director, supervisor and purse-keeper.

An "artel" was often divided into various separate labour groups. Such "artels" were mostly engaged in seasonal work, for which their members hired themselves.

There were also permanently established "artels," which worked for manufacturers, and which were occasionally employed by State Departments.

On the whole the "artels" seemed to be quite primitive structures, which scarcely anywhere developed into a more complex organisation. The "artels" which bought a piece of forest land, cut down the wood, sawed it into planks, and then shipped it to the towns, represented practically the highest degree of systematic co-operation.

Russian home industries and small-scale industries have played no part at all in Bolshevik experiments in socialisation. Even Alfons Goldschmidt describes them as the "peasant industry peculiar to Russia," which functions exclusively to supply small village needs. These businesses are not "ripe for socialisation." According to the Socialist programme, they are bound to disappear and be absorbed. But, for political reasons, they must be allowed to remain, and even encouraged

“Those that need help are encouraged, supported with money, and with materials; others are neglected or combated.”

Thus the extractive industries which produce vinegar, lime, resin, turpentine and powdered bone are supported by relatively considerable resources. The small furnishing industry is treated with much less benevolence, and in many districts has already died out. “The small hemp industry, and the small leather industry are combated, because they hinder the utilisation of raw material. The same with the small textile industry. The peasant, who is at the same time engaged in the small textile trade, wastes hemp and flax. Again, the small metal industry is encouraged by every means, because Russia is in great need of fully-manufactured metal goods.”

If the inhabitants of the towns only comprise a bare fifth of the Russian population, the proportion of the industrial proletariat to the rest of the community is a diminishing one. In 1908, there were 19,847 businesses employing 2,168,850 workers. According to a Bolshevist enquiry, on the 1st January, 1907, there were 3,017,004 workers employed in factories, works, State businesses, railways, smelting works, and in the mines in European Russia.

If it be true, according to another Bolshevist authority, that 1,300,000 of the above workers were engaged in businesses having more than 1,000 employees, the industrial proletariat of Russia represented in no shape or form a vanguard which was politically and morally developed.

It is agreed by both Goldschmidt, the Moscow traveller, and Dolmetisch, the Bolshevik organiser, that a proletariat in the European sense exists only in the Petrograd district, where the imperialistic industry had led to the settlement of Esthonians, Finns, Letts and wandering Russians who, not being indigenous, had developed a more revolutionary consciousness than the workers of the other industrial districts of Russia. "Petrograd, therefore, became the revolutionary storm centre during the war and in October, 1917."

The Moscow Central Department is, indeed, an extensive and important metal-producing district, but only a small percentage of its workers belonged to the class-conscious proletariat. The rest were a mixture of the small peasant and the travelling worker. This district is closer to the sources of raw materials and its workers are more settled. It seems to be a rule in Russia for industries that are near their raw materials to be worked by semi-peasants. Even in the district of Nijni Novgorod, where the great modern ironworks of Stormova are situated, there is "no proletariat in the sense of a distinct leaning towards Revolution, although there are technically qualified workers." Almost everywhere else, in the districts of Tula, Bryansk, Charkow, Taganrog, Rostow, Marinpol, there are semi-peasants of Great Russia.

The conditions in the Ural industry are almost feudal. Not even the coal-mining industry has created a modern proletariat. Thus the workers everywhere are half peasant and half proletarian.

And this proletarian peasantry suffers more from land hunger than from any desire to control industrial production.

"A knowledge of the social and psychological factors of the Russian Revolution" states Goldschmidt at the end of his chapter on the Russian industrial proletariat, "is of the greatest importance for judging the constructive progress of the Revolution since October, 1917. The diversity of social and moral conditions explains many obstacles, antagonisms, and struggles."

*Socialisation by Compulsion.*

Even German economists, such as Ballod and Neurath, have put forward the view that if a policy of socialisation is to be successful, it must be applied immediately to the whole industry, and not be merely partially applied.

Neurath has given detailed reasons for his opinion in his various writings. Socialisation means the introduction of a new mode of living. This would naturally take time, as a ready-made socialist system could not replace the old one overnight. On the other hand, it is strongly emphasised that the much-discussed "partial" socialisation will not work in practice. It matters little if, in March, the mines, in May, the foodstuffs, in September, the electricity supply, be "socialised," which might mean either put in control of the State, or transferred to "co-operative" control,

or controlled by a syndicate under State supervision. Even the socialisation of a dozen separate undertakings would make little difference.

This is not the way to achieve the great object.

Then what does the object imply? "A systematic regulation of all economic activity. Society would be paralysed if graduated steps in nationalisation were to be contemplated during the next few years, and partial anarchy were allowed to exist meanwhile. For those employers who had been left alone by the policy of socialisation would be unable to make far-reaching decisions and dispositions, because they would not know when their turn would come."

Neurath, therefore, advocated a "systematic administration of the whole of national economy," having at its head "a central department" which, with the assistance of comprehensive statistics, would control and illuminate the whole field of economic activity, so that, with the aid of another central economic department, the tendency of productive activity could be regulated in the most economic and satisfactory manner. But Neurath also desired that this method of "complete socialisation" should be carried out with the smallest amount of friction.

"Nationalisation, expropriation, etc," he judges to be very doubtful expedients. "It is, of course, imperative to select that mode of procedure which would cause only the slightest disturbance to existing conditions, which would harmonise with the tendency of development, and which could be



organically attached to the existing forms of organisation. The formation of syndicates, kartels, trade unions, etc., may be regarded as methods of this kind."

"These organisations would be supervised by the central economic council. This scheme would have the advantage of attracting the former employers, directors and managers, whose activities would, it is true, be somewhat altered, but would still be of a similar nature to the duties formerly undertaken by them.

Within the scope of a lofty national policy of social reconstruction, there would be important tasks, carrying heavy responsibilities, and allowing ample initiative, for efficient and resourceful men. Many would feel relieved from weighty cares, if they could abandon the chase for profits, and, unhampered by petty calculations, render service to the community by the free performance of their duties.

Thus, according to Neurath, the most important part of socialisation consists in a centralised economic plan. "The level of the material life of the community can only be raised by means of an adequate economic policy. It is not enough to be acquainted with productive possibilities and the total social requirements. The community must be able to control the movement and destination of all raw materials and resources, men and machinery." And, again, in another book, "If we give serious attention to the task of transforming society, the first thing we need is an

economic plan. What is essential is a clear survey of the movement of raw materials and resources. Such an economic plan pre-supposes, of course, a revolution in our statistical methods, which are badly conducted. In order to create the basis for an economic plan, the central economic department above mentioned, must organise national statistics, within which each statistical branch would find its special place."

We have given these quotations in order to show that what is understood in Germany by the term "complete socialisation" has nothing in common with the manner in which "complete socialisation" has been carried out in Russia. Neurath advocates the systematic development of production as hitherto carried on, by means of a comprehensive central administration; the utmost possible utilisation of all existing economic methods and industrial personalities by the central department. In Russia the Bolsheviks have proceeded with studied recklessness to the "destruction of the State machinery" and the establishment of a new economic organ, which was wholly untried, and for which all personal and technical auxiliaries were lacking.

The war had already largely disturbed the Russian economic system.

"The terrible consequences of the war became apparent when the Revolution first broke out. The output of the metallurgical industry was reduced by 40%, that of the textile industry by 20%; the output of coal, iron and steel began to

decrease rapidly. From the first of March to the first of August, 568 factories were closed and over 100,000 workers deprived of their means of support." How did Bolshevism deal with this calamitous situation?

By expropriating the capitalists and nationalising the factories. "The first task of the Proletariat and the Soviet power, as the organ of the Proletarian dictatorship, consisted in wresting the means of production from the capitalists, or, as is said, expropriating the bourgeoisie."\* According to Neurath, the first condition for any socialist system is the formulation of a comprehensive economic plan, which must be based on reliable statistics of every kind. This is also the opinion of Bucharin and Preobraschensky. One of the chief tasks of the Soviet power consists in the "co-ordination of all economic activity according to a national plan." How has this policy been applied to Russia?

In the beginning the Soviet power and its organs were never once in possession of information as to what resources existed; there were no indications of the number of businesses, of the amount of provisions and raw materials, fuel, commodities; no information as to the possibilities of production; that is, how much the socialised undertakings were able to produce. The capitalist class died without leaving an exact testament to the proletariat. It is thus clear that there could be no question of a general economic plan in the early stages. The

\* Bucharin and Preobraschensky: *A B C of Communism*.

old capitalist order dissolved, and a new socialist system had not yet been created." ("ABC of Communism")<sup>1</sup>

The methods and results of this "socialisation" were of a corresponding character. Listen again to Bucharin and Preobraschensky: "Under the influence of the Revolution, factory owners allowed the reins of direction to pass out of their hands, and at first many factories were simply without control. Then the chaotic seizure of businesses by the workers began to take place; the workers could wait no longer. This local 'nationalisation,' had commenced even before the October Revolution. It is obvious that, properly speaking, this was not nationalisation at all, but the unorganised seizure of businesses by those workers who were employed in them; only later was this seizure transformed into nationalisation. Even after the October upheaval, nationalisation was at first carried out in a most disorderly fashion. It goes without saying that in the first place, the largest and best-equipped undertakings ought to have been nationalised; but this did not always happen."

Factories without masters were often nationalised; often those whose owners have been allowed to remain unmolested by the workers, often undertakings which had been hastily constructed during the war and as quickly fell to pieces during the Revolution.

Here the compulsory and precipitate character of the Russian "complete socialisation" became manifest. The workers could wait no longer, said

Bucharin and Preobraschensky. They were obliged to proceed to local and unorganised expropriation of the capitalists, because the latter had in many cases left their businesses in the lurch.

\* All this caused great confusion in the early stages.

The authors of the Communist "A B C" were obliged to explain why so many employers abandoned their businesses and the chief reason was that the workers' "control" tended to become ever more intolerable for the capitalist.

Workers' control had already been postulated by the third conference of the Trade Unions, which assembled on the 20th June, 1917. But as the Menshevists and the Social Revolutionaries were in a small majority at this conference, the principle was not enunciated in that radical sense which the Bolsheviks desired. For the conference expressly declared that the process of economic regulation was "too delicate and complicated to allow of its being undertaken either by the proletariat alone or for the most part by the proletariat." In practice, it is true, workers' control wore a different aspect, and its invasion into the sphere of business became ever more reckless as Bolshevism took hold of the masses. "Workers' control" signified the supervision by the Factory Committee over the conditions of the business, the quantities of raw materials, finances, etc., and, further, the control over the products taken into and sent out of the business. The Factory

Committee of every business chose a special control committee, which closely watched the whole administrative and economic activity of the undertaking, and if, for example, the employer asserted he had no raw materials, or no money, the workers examined his books to verify how far the assertion of the employer was true, made enquiries of the bank, prevented him from taking any suspicious steps, and with weapons in their hands, compelled the employer, if he persisted in deception, to obey their will."

That the employers were often obstinate, and practised a kind of sabotage, is quite certain ; it is not less certain that the control of the untrained nominees of a working class which was backward in every respect, was often exercised in such a manner as to render any orderly conduct of the business quite impossible. It would be inconceivable that so many employers abandoned their businesses to fate and the absolute pleasure of their workers, if the continuance of the business under "control" had not become a simple absurdity. Lozovsky himself described workers' control as "an attack on capital," and admits that control before the October Revolution had been exercised in such a chaotic and elementary manner that the trade unions, immediately after the October Revolution, were confronted with the greatest difficulties, arising from the crude methods of workers' control, and further states that a practical programme of action would have to be worked out.

The unscrupulous propaganda of the Bolsheviks themselves utilised the workers' control as an instrument to break into pieces the capitalist methods of business within a few months.

The Bolsheviks, therefore, bear the responsibility for the fact that the nationalisation of production proceeded without plan or proper organisation, and with such detriment to production itself, as is above described by Bucharin and Preobrazhensky.

Perhaps such a form of nationalisation, such a senseless destruction of the economic life of Russia, had not originally formed part of the plans of leading Bolsheviks. But revolutionary fanaticism was used to liberate forces the powerful effects of which it had been impossible to estimate. Reliance was placed on the "creative energy of the masses," whereas the masses were only able, in their blind fury, to destroy, without building a new and better system. After a record of failures, extending over several years, the discovery was made that the salvation of Communism lay in the use of rigorous measures of force applied to the proletarian masses themselves. "Force has played and will play a great part in important historical epochs. The general rule is for mankind to try to escape work. Man may be described as a pretty idle animal." \* . . The same sentiment, accompanied by a pessimistic contempt for mankind, was put forward in a book which was published in

\* L. Trotsky: *Ueber die gegenwärtigen Aufgaben des wirtschaftlichen Aufbaues.*

1920 by the "People's Commissariat for Transport." In this publication there is no word of the mystical glorification of the masses. On the contrary, we read of "the masses of mankind, that is the stupid multitude, with its idleness, passiveness, indolence, lack of intelligence, and frequent absence of conscientiousness as well."

The transition to the Bolshevist system was bound to be accompanied by a marked decline in the productivity of labour, and this had been anticipated by many people. "But did anyone foresee the extent of the decline which has in fact taken place? This decrease in productivity is of such a nature as to bring us to the verge of destruction." \*

The methods and pace of socialisation in Russia, and the fact that they have been too much for the Bolsheviks, are confirmed by the author who writes under the name of "Spectator," and who is sympathetically disposed to the Bolsheviks. "From the theoretical standpoint, much might be said in respect of the pace of socialisation. Even in Russia there has been a lively discussion as to how rapidly socialisation ought to be proceeded with, and if it has eventually led to complete socialisation within a short time, this does not in the least mean that those who favour a gradual progress in this sphere have been silenced. In Ukraine and in Lithuania even the Soviet Government hesitates at nationalisation. For the rest, the rapid progress of socialisation in Russia has been influenced by

\* Professor Gredeskul: *Befreite Arbeit*.



the exigencies of world policy. To formulate a plan of socialisation and to translate it into the actualities of life are two different things." \* Ballod has expressed the same idea, less politely, but all the more convincingly, in the introduction to his *State of the Future*. "Our great neighbouring State has groped its way into Socialism, without a programme or an industrial forecast having been put forward by anybody, without its Socialist rulers having given themselves the trouble to investigate seriously all the practical problems. Instead of organising production, they have merely organised the robbery and dissipation of the wealth accumulated by capitalist society."

*The Economic Organisation of Bolshevism.*

Even Alfons Goldschmidt corroborates the fact that the Bolsheviks were forced by circumstances to socialise industry at a pace which did not in the least correspond with their original intentions: "The Soviet Government did not contemplate socialism at a gallop; it rather desired to nationalise in the degree that industry became ripe. But it was often obliged to socialise against its will."

In dealing with the violent pressure of the works councils and the influence of the workers' control, we have already become familiar with the nature of the forces which impelled it to "topsy turvy"

\* Spectator: *Das Sozialisierungsproblem in Deutschland*.

socialisation. But their own statements prove how industriously the Bolsheviks themselves conjured up the forces whose violence afterwards caused them the greatest embarrassments. In this respect we need only follow the exposition of Lozovsky.\* . . . According to this statement the workers' councils were "not quite clear themselves over the question of control for the first few months. But the works committees soon passed from control of the raw materials and fuel, from control of production, to control over the finances of the business. It was clear that in these circumstances, the employers were obliged to forfeit all their rights of independent supervision. They were put on the defensive, and the technical staff also offered stout resistance to this kind of control, which led to the suspension and absolute ruin of the business. In common with the clerical officials, the technicians and the engineers, both the Menshevists and the Social Revolutionaries recognised that such a primitive business dictatorship of the workers would only strangle industry. Therefore, they advocated the idea of State control as the alternative to the idea of workers' control. The economic departments which were set up during the war to control, utilise and increase the productive forces of the country, should be democratised and transformed into a communal instrument for a gradual and systematic policy of socialisation."

However, the Bolsheviks believed that the

\* *Aufgaben und Entwicklung der Betriebsräte in Russland.*

Central Economic Council, the Supreme Economic Committee, the factory owners and the financial representatives, would gain the upper hand in these organs of mixed composition, and that, although the workers' representatives would be allowed to discuss socialisation, economic organisation, improvement of transport, their wishes would not receive the least attention. Consequently they went to the other extreme, demanded all power for the workers' councils, and hastened the disaster which so soon overtook the economic life of the country.

Before the October Revolution, workers' control had only obtained in a few undertakings. After the Bolshevik victory, this practice was extended to the utmost degree. Every business secret was abolished by decree, and the employer obliged to submit to the decisions of the control committee. The employers resisted by suspending business operations, and the officials by striking work. Not only the upper middle class, but also the small middle class, and "even many sections of the practical workers" offered the most bitter resistance.

But the Bolsheviks opened "a resolute and energetic campaign against the 'sabotage' of the employers and of the technical staff." The "least attempt to sabotage workers' control was promptly met by seizure of the undertaking."

Much longer and more difficult was the struggle with the technical staff, who were compelled to surrender only after obstinate resistance.

"We knew," said Lozovsky, "that workers' control was no panacea for all ills, that it represented only one of the factors in the nationalisation of production, and that it is only the first step on the road to Socialism."

Workers' control even became a means, in the hands of unscrupulous employers, to abuse and corrupt the workers. "Above all, it became evident that, even after the October Revolution, employers were ready to exploit the egoistic instincts of backward workers, and to make willing tools of various works committees. . . . Had this condition lasted long, it might have led to the corruption of the worker."

However, it was impossible for this state of affairs to last long, as all the employers were not so artful. "Workers' control was certain to render capitalist enterprise impossible within the shortest space of time. It is absurd to leave to the employer the function of directing the business, the responsibility for the industrial results, and the risks of the undertaking, and yet at the same time make him subservient, in the conduct of the business, to the decision of the works committee.

The fiercest conflicts between the employers and the works councils were unavoidable. In many cases they terminated by the workers expelling the employers and the chief officials from the business, and themselves assuming the conduct of affairs. Naturally, the workers were soon without any capital to run the concern. The State had to intervene. The Government had to decide to

"nationalise" the business. During the first six months, "nationalisation" was decreed without a common plan or method. The Government did not want to nationalise, and only decided to do so under the pressure of the elementary action of the masses. Nationalisation by decree limped after the "wild socialisation" of the workers themselves." (Otto Bauer.)

The period of "wild socialisation," during which the conduct of industry passed over to separate and isolated works committees, is described by the Bolsheviks themselves as a "process of ruination." Radek writes that it has destroyed for a time the economic foundations of the country. "Everywhere the workers set up works committees, so that control over the factory might be quickly followed by direction of the business. Everywhere they endeavoured, as a group or as individuals, to take the greatest possible advantage of their freedom from the domination of the capitalists. Consequently the seizure of power was followed by a period of accelerated economic decay. Every group of workers who run an isolated factory and organise production without reference to any other business, are guided in their conduct by the interests of their group. They sell old stock to those who offer the highest price; they produce, not what is needed by the community, but what they hope will have a good sale. It needs no special intelligence to see that this is not Socialism."\*

The attempts of the Bolsheviks to introduce

\* Karl Radek : *Programm des Sozialistischen Wirtschaftsaufbau.*

socialist order into this economic chaos, for which they were responsible, were all too late. Now, in the condition of complete disorganisation and terrible need, it dawns upon them that it is above all essential to organise the whole field of industry according to a comprehensive economic scheme.

“The execution of this plan began with a survey of the materials that were available, that is with the determination of that which the proletarian power had at its disposal, what quantities of supplies, how many undertakings, etc. A union was gradually formed among the former independent concerns; central departments arose for the supply of raw materials, fuel and necessary accessories. A network of local and central organs of industrial management was created, which was soon in a position not only to work out an all-inclusive scheme, but also to put it into practice over the whole country.” (“A B C of Communism”).

According to the description of Bucharin and Preobraschensky, the administrative apparatus was built up in detail, from below, in the following manner: “At the head of every factory stands the workers’ committee of management, which usually consisted as to two-thirds of workmen, who are members of the trade union concerned, and as to one-third of technicians, who were appointed by the central direction, with the approval of the central committee of the trade union concerned. (As a matter of fact, recently ‘collegial’ form of management has been mostly replaced by individual directors, nominated by the central

(committee.) The factories are combined under 'chief committees of management' and 'centrals,' which represent a union of a whole branch of industry. For example, the 'textile central' directs the whole textile industry, the 'nail central,' the production of nails, the 'coal central,' the production of coal.

These chief management committees and centrals are united through the executive of the Supreme Economic Council, and through the Central Committee of the trade unions concerned. Alongside the "centrals" there are also local councils of public economy, which effect the unification of the smaller undertakings.

The chief administration and centrals on their side are connected with groups of related branches of production. Thus there is a metal department, a department for the chemical industry, a foodstuffs department, etc. All these departments are subject to the authority of the Supreme Economic Council.

A detailed description of the economic administrative machinery of the Bolsheviks is given by Alfons Goldschmidt, whose book deals principally with the formal structure of the organisation in Soviet Russia. [In Goldschmidt's opinion, the Supreme Economic Council may be said to be the continuation of the war-time economic organisation, especially the war fuel central, the war transport central, and the war communications central, which were taken over by the Soviet Government after the October Revolution. Formally established by a decree of the All-Russian Central

Executive Committee of the 1st December, 1917, and composed of the All-Russian Workers' Control Council, representatives of the People's Commissariat and persons with technical knowledge (who, however, only possessed advisory powers), it immediately created a whole series of departments and subordinate departments. The first All-Russian Congress of the Peoples' Economic Council (May, 1918) effected some alterations in its constitution. According to this reorganisation, which has remained essentially unaltered until now, the Supreme Economic Council of the People consists of 10 members of the All-Russian Executive Committee, 31 members of the trade union organisation, 20 members of regional economic councils, two members of Co-operative Unions and one member of the Food Commissariat, the Transports Commissariat, the Labour Commissariat, the Agricultural Commissariat and the Commissariat for Trade and Industry—In all 68 persons, who have to choose an executive of 9 persons, upon whom so many functions devolved in course of time that the committee of 68 takes no effective part—a sign of the advance of centralisation and bureaucracy, which will be referred to in another place.

“The regulation of production, the distribution of products, as well as the financing of and the budgeting for the economic life of the Russian community, are to-day organised by the Supreme Council of National Economy, and carried out by it, with the aid of the departments of the Supreme Economic Council, of the trusts and nationalised



undertakings attached to these departments, and also with the assistance of the local economic councils, which are connected with the Supreme Economic Council.

“The connection between the local councils and the Supreme Economic Council of National Economy is established by the so-called Foreign Department of the Supreme Council, of National Economy, which was founded a short time ago.”

The above is certainly an imposing and ingenious organisation on paper, for the achievements of this powerful and complicated machine have been extremely inadequate, as is proved by the anguish of the people, and the ever accelerated dissolution of the economic life of the community. Bucharin and Preobraschensky made the following admission in the “ABC of Communism.” “It goes without saying that the work of organising and regulating the economic activities is very far from perfection. Disorder still reigns in many institutions. The machinery does not yet work. The framework of the apparatus has already been put together.” Unfortunately, as the framework lacks a system of muscles and nerves, it remains defective, and grossly unreliable on the most important occasions.

### *The Resort to Despotism.*

The more energetically Soviet Russia has sought to combat the economic disorganisation and the decline of production by means of an orderly economic policy and a system of centralised

control, the more necessary has it been found to restrict the workers' rights of self-determination and to curtail the self-government of industry. Whilst during the first paroxysm of the October Revolution the workers simply expelled the employers and managers, and themselves undertook the management of the business, through their works' and factory committees, afterwards their rights were gradually limited, until nothing remained to the individual worker, and the masses of workers, but the strictest subordination, and the most absolute subjection to the centralised machine of administration, that is, the all-powerful Soviet bureaucracy.

This development was of an involuntary nature, and proceeded under the pressure of iron economic necessity. If the Russian workers were not to starve, and if the towns were not to die out completely, the adoption of an orderly and centralised scheme for the reconstruction of economic activities was inevitable.

As far back as June, 1918, the organ of the Workers, Soldiers' and Peasants' Council of Moscow demanded that the urgently necessary confiscation of all the means of production must be accompanied by the conscription of the available labour-power, as "in consequence of the suspension of many factories and works, and the decline in the production of others, the qualified workers were being scattered throughout the country, and thus lost to Russian industry." For the purpose of registering the workers, a central labour exchange must

be established as quickly as possible, "because individual trade unions were dominated by the petty interests of special groups of workers, and not by the general aims of Labour politics."\*

~ In addition to the evil of this dispersion of the industrial proletariat, those workers who were still employed revealed an entire absence of labour discipline.

As the "Communist A B C" puts it, "the Revolution has destroyed fundamentally the discipline of work under capitalist conditions." Without the imposition of a new kind of discipline, a social reconstruction on communist lines is out of the question. The trade unions must become the principal agencies for the establishment of this new discipline. In addition to the measures directed towards the establishment of orderly conditions which are already applied, and which must be developed and perfected in every way, the party recommended the keeping of accounts, which were in a very bad condition 2½ years after the October Revolution, the establishment of a working day, the encouragement of a feeling of honour in the performance of work, the fixing of responsibility before tribunals composed of fellow-workers, and the "employment of middle-class experts."

The resort to middle-class experts, the "specialists," marks the definite break by the Bolsheviks with the system which prevailed in the first stages of the Revolution, and which might be described as syndicalist self-government in industry. In

\* Quellen und Studien, I., I. : *Russisches Wirtschaftsleben.*

this early period the factories and works had been "collegially" managed by factory committees, three to five persons in number, chosen by the workers in the undertakings concerned, and subject to removal at any time.

The success that attended their activities was such that a year later Professor Gredeskul, speaking in his capacity as a People's Commissary, was obliged to complain about "the ruinous condition" of the entire Russian economy, from the standpoint of organisation. "There is no subordination, no management, no responsibility."

To put an end to this confusion and lack of discipline, it was not necessary simply to organise a nation-wide administrative machine of the most intricate nature, but it was a matter of urgency to divest of their power the workers in the cells of production, that is, in the separate businesses, and to subject them to the most rigid control of an authority, who must be completely independent of these workers, and who could be removed only by the central committee.

[ "It became necessary for the Soviet Government to put all its energy into the fight against the anarchy in production. First of all the Soviet Government sought to persuade the directors, engineers and technicians to return to business, by promising them higher remuneration, and free play for their activities in the business. At the same time there commenced that great oratorical campaign, in which the spokesmen of the Soviet Government laboured to convince the workers of

the need for restoring labour discipline, increasing the intensity of work itself, and recognising the authority of the business manager." (Otto Bauer.)

In the speech which Trotsky made in April, 1920, at the 9th Congress of the Communist Party of Russia, he announced the necessity for removing the last vestiges of autonomous government in industry, the collegiate management of business, which was to be replaced by the personal direction of a responsible individual. This course was rendered inevitable by the need for a dependable scheme of organisation covering the whole of economic activity. In the beginning of its existence, Trotsky explained, the Soviet economy was syndicalist in character, to a considerable degree, even in its chief administrative departments. "The results of production were not distributed, because in the first period almost nothing was produced, but that which remained over from the past was distributed." The administration of industry was gradually organised in the form of Trusts, and the 50 chief administrations, which now include all the vital branches of Russian economy, were united in the Trust of Trusts, the executive of the Supreme Economic Council.

Such a plan of organisation was "a real systematic and socialist scheme." Unfortunately, for a long time this organisation had not been an ideal machine for registration and distribution. The plan of a comprehensive system of economy was in existence. "In practice, however, the scheme only covered from five to ten per cent. of the whole

ground." If production is ever to be put on an orderly footing, there must be a break with the system of the collegiate management of industry. Even the trade union of miners did not recommend collegiate management for the mining industry. "Only demented persons" it stated "could believe that a committee composed of three to five persons would be able to run this industry." Why should this not apply to factories as well? In a committee the feeling of responsibility disappears. If there are workers who are fit to become factory managers, let them be so employed ; but "where a specialist is at hand, he must be made manager, and a worker put at his disposal to render assistance. No other view of the position can be seriously adopted, and only by these methods shall we attain the ideal of organised production."\*

Lenin also had expressed himself in the same sense at the 3rd All-Russian Congress of the Supreme Council for Public Economy. The question arose as to how the administration should be conducted, whether on the collegiate principle, or on the principle of the exercise of personal power. Lenin's answer was that "the transition to practical work was closely bound up with the dictatorial system," as this alone "secures the best employment of human capabilities and a real control of labour. Committees involve, in the most favourable circumstances, an immense waste of energy, and give absolutely no guarantee of the reliable performance of work, such as a great centralised industry requires."

\* Russische Korrespondenz, I. Jahrgang, No. 10.

The 9th Congress of the Communist Party (29th March to 4th April, 1920) also passed resolutions which implied the end of every kind of proletarian self-government. To the factory committees were left the tasks of promoting labour discipline, by every possible means, inducing the workers to co-operate in the inspection of labour, but with the express proviso that they shall not interfere with the management of the business.

The authorities did not shrink from using the force of arms in order to render the workers amenable to the will of the central power. And, with the aid of the most reckless employment of force, the Soviet Government at length imposed upon the workers the militarisation of labour. That portion of the army which was no longer engaged in military occupations was transformed into a "labour army," instead of being demobilised. On the other hand the so-called trade Unions (about which more will be said in the next chapter) were made use of as tools in the conscription of labour. Trotsky described this procedure at the 9th Congress of the Communist Party in the following manner: "1,150,000 workers are registered in the most important branches of industry, but in reality only 850,000 are working.

"Where are the remaining 300,000? They have gone away. Where? Into the villages, perhaps into other branches of industry, perhaps they are engaged in speculation. Thus for 800,000 men who are at work, there are 300,000 deserters, using the military expression. In the military department

we have the necessary machinery for compelling the soldiers to do their duty. This machinery must also be set up, in one form or another, in the industrial sphere. If we are to be serious about a systematic economic plan, if the available labour power is to be distributed in accordance with the economic plan, in the present stage of development the working classes must not lead a nomadic life. Like the soldiers, they must be disposed of, distributed and commanded." (Russian Correspondence, 1. Nr. 11.)

"It is," writes Otto Bauer, "a far cry from the workers' control of November, 1917, to the conscription of labour in January, 1920. Since the middle of 1918 the historical initiative has passed from the masses to the Government. And, compelled by the disorganisation of industry, the Government was obliged to turn against the workers themselves. The Government was forced, step by step, to make the workers produce more, and submit themselves to the authority of the business manager. At length, it was compelled to conscript them, tie them to the factories, and subject them to the 'strictest system of military law.' But this 'despotic Socialism,'" continues Bauer, "did not arise in accordance with the pre-conceived plan of the Bolsheviks. It was forced upon them by the industrial anarchy, by the apathy and want of intelligence of the immature Russian working-classes, and by the general Russian conditions of semi-barbarism."

In fact, the defective development of the Russian



economy, the immaturity of the Russian semi-peasant proletariat, in short, what Bauer calls "Russian barbarism," are largely responsible for the despotism of the Soviet Government.

But intelligent and conscientious politicians ought to have foreseen this whole development. It is a matter of very grave doubt whether a similar process of "precipitate socialisation" through workers' control and council dictatorship, if undertaken in much more advanced countries, having at their disposal an immeasurably stronger and better-trained proletariat, would not lead to desperate conditions, and forcible methods similar to those in Russia.

### *Industrial Unions as Administrative Organs.*

Generally speaking, trade unions in the ordinary sense no longer exist in Russia, as the former trade unions have been completely divested of their independence, transformed into "industrial unions," and, in the capacity of executive organs, attached to the administrative machinery of Soviet Russia. According to Bolshevik statements, the "trade unions," or industrial unions, are, in fact, not only the executive organ, which has to carry out the instructions of the controlling Soviet authority, but an essential part of this ruling Soviet power itself. We will endeavour to describe the real state of affairs, in accordance with information derived from Bolshevik sources.

According to the statement of Lozovsky,\* whom we shall follow substantially, Russian trade unions were mainly established during the storms of the Revolution of the year 1906. About 200,000 organised workers were represented at a Trade Union Congress in February, 1905. With the Counter-Revolution an implacable persecution of the trade unions set in. According to the statistics of the Police Department, 104 trade unions were dissolved in the year 1907. The Revolution of 1917 "formed the starting point of the feverish development and growth of the trade unions. On March 15th, 1917, 22 Trade Union Boards met in Moscow and created their Council of trade unions. A similar thing happened in Petrograd.

Simultaneously trade and vocational unions were put into connection with each other through Central Bureaux.

After various preliminary conferences the 3rd All-Russian Conference of Trade Unions was held at Petrograd, at which 247 delegates represented 967 unions and 51 Central Bureaux, with a total membership of 1,475,249. At this conference, the Menshevists, Social Revolutionaries and the representatives of the Jewish Labour League were in greater force than the Bolsheviks, which fact found expression in the resolutions, which repudiated a proletarian sovereignty and declared "that the proletariat cannot take upon itself alone, the responsibility for the progress and

\* Lozovsky : *Trade Unions in Soviet Russia*.

outcome of the struggle with the economic disorganisation of the country, and that it is necessary to do everything possible to attract all the productive classes of the population to the solution of the economic problems confronting the country."

The increasing economic confusion of the country and the Bolshevik propaganda, effected during the succeeding months that revolutionising of the masses, which rendered possible the October victory of the Bolsheviks.

The change of front (to which the merciless suppression of dissenting socialist opinion not a little contributed) manifested itself at the first Congress of Trade Unions which assembled at Petrograd in January, 1918. The great majority of the delegates, of whom not more than a fifth, 90 out of 416, acknowledged Bolshevik views, declared for the Dictatorship of the proletariat, and for "close co-operation with the proletarian political organisations, and chiefly with the Soviet of the Workers' Delegates." The centre of gravity of the trade union movement at the present juncture must be transferred to the sphere of national administration and organisation. And, in conjunction with the Soviet authority, by the creation of special economic organs, by the organisation of workers' control, estimation and distribution of labour power, by combating sabotage, by the introduction of obligatory labour.

Lozovsky asserts that at this first Congress of Trade Unions in January, 1918, 2½ million members

were already represented. Bucharin, in the "Communist ABC" gives the figure of only 1,649,000 members for the first half of the year 1918. Generally speaking, their numbers are far less than the fantastic estimates of Lozovsky, who gives the trade union membership as 4,226,000 in January, 1919, and as high as 6,663,813 in April, 1920.

As we have already ascertained that the number of all industrial workers in Russia, even in the period of the highest productivity, could not have exceeded three millions, and as the "Communist ABC" states the number of workers engaged in the whole of the nationalised undertakings to be about one million in September, 1919, we need not subject Lozowsky's estimates to a critical examination. It is undeniable that, in any case, there has been an enormous increase in trade union membership which the "Communist ABC" states included only 335,938 persons in the first half of 1917. The great majority of the trade union membership were without any kind of experience in organisation.

As a result of the social upheaval, the proletarian masses came together out of pure instinct; in the course of the Bolshevik domination, they were even forced into the trade unions, now transformed into industrial unions.

The leadership of these dependent masses, who were completely without organising, political and economic experience, fell quite naturally and inevitably to a section of more intelligent and energetic persons, who understood how to put

themselves at the head of the movement and made common cause with the political leaders of Bolshevism.

For the time being, at any rate, the masses had the whip hand, by means of the trusted persons whom they directly elected. During that period, the workers were masters of the undertakings, through the works councils and factory committees which they elected themselves. But the accelerated ruin of industry which it caused soon made an end of this syndicalist system. The works committees were divested of their independence, and transformed into organs of the trade unions. The factory management was henceforth determined by the trade unions, that is, the trade union bureaucracy and the Soviet organs, and the works committee had only one representative on the factory directorate. Thus "the function of the factory committees in the sphere of control of production ceased, because henceforth the union as a whole and not separate sections of it, took part in the administration." (Lozovsky).

The factory committees were degraded into local organs of the trade unions, which were obliged to submit their views to the higher authorities of the trade unions "and to refrain absolutely from any interference with the business management of the undertakings." (Resolution of the third Congress of the Trade Unions, April, 1920.)

A complete reformation of the trade unions was carried out at the same time as the abolition of the syndicalist self-government of the separate

undertakings, and the factory committee was deprived of its powers. The craft unions were transformed into industrial unions. All branches of trade which belonged to a specific branch of industry were linked up with a great centralised union of industry. The motto was one factory, one union. "This means that all workers from unskilled labourers to hired engineers, working in a metal factory, including also the wood workers, are members of the metal workers' union. Wood workers, mechanics, etc., working in a textile factory, join the Textile Workers' Union and electricians and stokers working in a soap factory join the Chemical Workers' Union."

Thus, in Soviet Russia, on the 1st January, 1920, there were in all only 32 centralised unions, which, after the third Congress, were reduced to 22 All-Russian Industrial Unions.\*

It is obvious that such a structure makes innumerable secretaries and offices necessary, and thus creates a trade union bureaucracy, which becomes ever more independent of the masses and their desires. "This bureaucracy frequently grows into enormous dimensions, especially where there are few workers, and many "Soviet officials." Superfluous use of stationery, insolence, neglect, sabotage—of these things there are more than enough in the economic organisation." (Bucharin). According to these authors, "the participation of the broad masses" is the best safeguard against such a bureaucracy. Karl Radek also considers

\* Page 38 : *Trade Unions in Soviet Russia.*

the "establishment of an actual contact between the labouring masses and the industrial management" to be a very important task, and a task yet to be performed, for "the representatives of the industrial unions take part in the meetings of the Supreme Council of Economy, and of the factory directors. They discuss questions of production with the management of their unions. The masses of the workers, however, remain far removed from these things."

Lozovsky proudly enumerates all the functions of the trade unions. The Supreme Council for National Economy was set up by the trade unions, in conjunction with the Soviet Government. The Supreme Council comprises dozens of central organs which manage the nationalised industry, "and each of these organs has been established by agreement between the Executive of the Supreme Council of National Economy and the Executive of the respective trade union. The trade unions do not take over the regulation of production; they are not the sole organisers of production; the whole of the nationalised industry is directed by organs of the State, according to the principle of representation by the trade unions, which "enter into the Soviet organisations, dominate them, and in this manner tend to become more and more the basis of the economic machinery of the Soviet Government." (*Cp.* Resolution of the 9th Congress of Russian Communist Party.) So it is agreed that the work of administration falls upon the shoulders of a trade union bureaucratic

caste, strained off from the Communist Party, which is far more an autocracy than the democratic instrument of the labouring masses which are assembled in the industrial unions.

And when Lozovsky makes it a reproach against the leaders of the German (and, generally, of Western European) trade unionism that they have been tamed by the bourgeoisie, and transformed into capitalist lackeys, and have consequently become the "ringleaders" in the struggle against the revolutionary movement, he implies that the leaders of trade union organisations may, under certain conditions, become a class and caste apart. In view of the general nature of the proletarian masses of Russia, and the whole structure of the Russian trade union organisation, the formation of cliques of officials, alien to the masses, is a far more threatening danger in Russia than in Germany, England and France.

The following judgment upon the political Soviet bureaucracy also applies to the bureaucracy of the Russian industrial unions: ["Above all, it must be clearly grasped that, in reality, the power does not belong to the Councils, but to the executive organs of these Councils, thus to the executive committees of the government, the province and the region. The members of these committees divide among themselves in a friendly manner all the branches of government, and in course of time become transformed into ossified bureaucrats, and provincial satraps, who are able to govern and rule almost without control. Owing to the fact that



they hold in their hands the machinery of government, that is, the means of compulsion, it is within their power to terrorise even their own electors.”\*]

*The Organisation of Distribution.*

The fact that the problem of the distribution of commodities in Soviet Russia was everywhere solved in an inadequate manner is partly to be ascribed to insufficient production. Had there not been such a terrible shortage of agrarian and industrial products in Russia, their distribution would have been rendered much easier. The rationing of foodstuffs and consumable goods could, in such a case, have included all that was necessary, instead of, as actually happened, only comprising a part of the necessities of life, whilst the remainder had to be obtained from private and illicit traders. Lozovsky indicates as the natural objective of a communist society, the liberation of the worker from the monetary system, inasmuch as society will provide him with all necessary means of existence. “In view of the insufficiency of products, payment in kind has been made up to now, chiefly as a means for encouraging the work.”†

Schlapnikoff also writes: [“The ever-increasing scarcity has for some time brought the Russian worker up against the problem of payment in kind.

\* Dr. Galin: *Der Verfassung der Russischen Sowjet Republik in der Praxis.*

† *Trade Unions in Soviet Russia.*

But the present shortage of commodities admits of only a partial solution of this problem."

The commodity shortage itself is in a very large measure due to the "precipitate socialisation" and the whole system of Bolshevism, so that the failure of distribution represents only another aspect of the frustration of the Bolshevik experiment.

The liquidation of private trading began with the confiscation of the great commercial warehouses, which followed closely upon the nationalisation of the large commercial enterprises. "The Soviet Power introduced the system of class rationing, not only for the means of sustenance, but also for manufactured goods, and all objects of domestic utility." ("The A B C of Communism.") "The whole machinery of the large businesses was transferred to the Soviet authority, and the commercial employees began to work, with the support of the trade unions. Only the business proprietors were removed." On the other hand, small private trading establishments, which disposed of the products of the independent home industries, were not nationalised. "The Soviet authority had not yet assumed control of this category of production. It has not yet succeeded in becoming the sole purchaser of the products of the small home industries." "The question of petty trading," declare Bucharin and Preobraschensky in their book, "is, doubtless, much more complicated than the question of trading on a large scale, of which the fate is already sealed." "There would be no

sense in the Soviet authorities simply forbidding petty trading as long as they are not in a position to replace it completely by the activities of the distributive organs. Petty trading will only be gradually extinguished as more and more products flow through the State channels for the provisioning of the population."

Although the private traders, who handled the products of the small industries and illicit commodities, remained in existence, it was necessary to distribute the rationed goods through the country by means of innumerable channels. This distribution of the masses of goods confiscated by the Soviet authority devolved to an ever-increasing extent upon the co-operative societies.

The Soviet Government, upon its succession to power, had the good fortune to find these organisations functioning over a wide area. Precisely because of the absence of a strong commercial middle class in Russia, the consumers' co-operative societies had reached a very high stage of development, in comparison with the whole social development. On the 1st January, 1914, the number of consumers' societies amounted to 10,000, the members numbered 1,400,000, and the turnover was 250 millions of roubles. During the war, the consumers' co-operative societies achieved an extraordinary degree of prosperity, so that on the 1st January, 1918, there were 25,000 consumers' societies, with 9 million members and a turnover of 6 to 7 milliards.\*

\* Kretinski: *Die Konsumkooperation in Russland*.

To be sure, the leaders of these co-operative societies were little inclined to Bolshevism. Like the Menshevists and the Social Revolutionaries, they combated resolutely the idea of the sovereignty of the proletariat.

Even when the Bolsheviks succeeded to power and proclaimed the dictatorship, the co-operators did not capitulate to the Soviet authority, which was at first obliged by the economic upheaval, and the disorder which it produced, to place so much reliance upon their activities that it dared not allow any conflict to arise. Moreover, the attempt of the Soviet Government to set up their own administrative machinery by the side of the consumers' associations ended in failure.

Although the Public Commissariat for food, etc., with its departments in the governments and the provinces, spun over the country a network of shops and distributing centres, although the trade unions and the factory committees also undertook the distribution of commodities, although the "poverty committees" had endeavoured to care for the poorer section of the population, yet all these and other forms of distributing organisations remained absolute failures. The Soviet Government, therefore, found itself constrained to depend substantially upon the consumers' societies for the work of distribution.

First, it reached a compromise by a degree of the 12th April, 1918. To the consumers' societies was given the task of providing henceforth for the needs of the whole population, as well as of their

own members, and the entrance fee was reduced to 50 kopecks. As compensation, the co-operative movement was exempted from the trading tax of 5%, which was imposed upon private traders. "Accordingly, after the 12th April, 1918, the Co-operative Movement became an independent national organ, which had come to a temporary agreement with the Soviet authority." (Kretinski).

But the Soviet Government imposed new conditions, one after the other, upon the consumers' organisations. A new decree, while not formally establishing the obligation to join a co-operative society, compelled every consumer to be registered at one of the distributive centres. "In view of the fact that there were and are no Soviet shops in the great majority of Russian villages, this clause of the Decree means that the great majority of the population are absolutely obliged to join the co-operative movement."

Finally, a decree, dated the 20th March, 1919, transformed the co-operative movement into an organisation which was brought completely under the rule of the communists, by means of the abolition of members' contributions, and the re-election of the management.

Henceforth the entire distributive service was transferred to the co-operative societies, which also took over all such establishments as shops, warehouses, bakeries, as had been created by the local re-victualling committees. That the establishments and competitive undertakings which the

organs of the Soviet authority had called into existence had proved to be wholly inadequate was admitted in the Decree of the Soviet Government itself, which read :

✓ " The difficult position of the food question necessitates the adoption of extraordinary measures to save the country from starvation, and the strict economy of strength and resources. The creation of uniform distributive machinery is, therefore, necessary. The co-ordination of the existing organs of distribution must be carried out in such a way that the principal machinery for efficient distribution amongst the masses, namely, the co-operative movement, which is the only machinery which has been tested by years of practical experience under the capitalist system, will not be destroyed and abandoned, but put upon a new foundation, maintained, developed and perfected."

It is extremely doubtful whether the perfecting of the co-operative movement, thus contemplated, has really been achieved, as in the most recent period the distributive system in Soviet Russia has turned out to be very bad. Although, in the first place, this is due to the immense shortage of goods, yet the defects in the organisation of these branches of administration, and the inadequate qualifications of many employees, certainly bear much responsibility for the deplorable conditions.

The number of persons engaged in the nationalised co-operative movement is, indeed, very considerable—the Union of Soviet Employees, which consists for the greater part of the employees

of the distribution organisation, counted 646,000 members in April, 1920—and the majority of them lack the good will to grapple with the difficulties of the position, but circumstances are now stronger than men. "After the second Congress the Union occupied itself with the question of the introduction of labour discipline into the Soviet authorities and undertakings. We do not deny that the productivity of labour in the Soviet organs is not intense. For this there are many causes. Both war and revolution weariness, as well as undernourishment have something to do with it. Moreover, there is a subjective cause; the absence of the habit of organised work, and the imperfectly developed feeling of the necessity of working when the whip of the master is removed."\*

The effect of the diminished production and the nationalisation of large commercial undertakings upon the nourishment of the Russian Proletariat is described by Ballod in his book *Soviet Russia*, in the following words: ["Taking all in all, the nourishment of the Russian Proletariat must be described as downright defective, even in comparison with the German war ration, and it is also the chief cause of the disappearance of the qualified workers."] Ballod is also of opinion that the food supplies, at least in regard to bread, could be made considerably better, if the quantities of corn reaped in the years 1919 and 1920, which amounted, according to Soviet statistics, to 100 and 150 millions of poods respectively, had been

D. Antroschkin : *Die Organisation der Angestellten in Russland.*

really gathered in, and distributed in an orderly manner.

Even after deducting the quantities of corn consumed by the Red Armies, enough ought to have remained over to permit of the industrial proletariat, at least, being fed more generously. Unfortunately, more accurate statistics as to the destination of the corn actually delivered cannot be obtained. The official struggle of the Bolsheviks is aimed at the bourgeoisie, on account of speculation and State robbery. But it will remain ineffectual as long as dire economic necessity continues to exist, and as long as the control remains as defective as it has been hitherto. "In Moscow, for example, alongside of the system of card rationing, which provides only the minimum, and less than a sufficiency, there is an officially tolerated illicit trade in the Sucharevka market. Nobody doubts that only a small portion of all the fine things that are to be had there has actually been acquired from the producers in the proper way, and that most of the food stuffs come out of the State warehouses.

"As the State officials are very badly paid, compared with existing money values, the temptation to underhand traffic is extraordinarily strong amongst all those who have anything to do with the receiving and despatching of commodities." And Ballod describes in detail several astounding examples of the feeble control exercised over existing provisions, and the irresistible temptation to which it exposes the storekeepers and other



officials. It was the conviction of many Bolsheviks themselves that the extension of free trading by the removal of the ban on selling wheat, recently announced by Lenin, is certain to weaken, still more the system of State control of commodities and eventually to put an end to it.

*Communism and the Peasant.*

According to Bucharin and Preobraschensky, the following categories of land ownership existed in European Russia before the Revolution :—

				dessiatines
				(1 dessiatine=2·7 acres).
National property	...	...	...	138,086,168
Peasant's properties	...	...	...	138,767,587
Owned by private persons and institutions	...	...	...	118,338,688

The share of the third group, private persons and institutions, was sub-divided in the following manner :—

				dessiatines
Large estates	...	...	...	101,735,343
Appanages	...	...	...	7,843,115
Church property	...	...	...	1,871,858
Cossack holdings	...	...	...	3,459,240
Monasteries	...	...	...	733,777
Urban land	...	...	...	2,042,570
Various...	...	...	...	646,885

The number of peasant farms amounted to about 15½ millions in the year 1916. An interesting light is thrown on the social divisions of the peasants by agricultural statistics collected from 19 governments in the year 1917.

Of the 4,954,144 peasant properties existing in these governments, only 103,003 made use of wage labour, employing 127,000 workers. At the opposite pole, there were 165,140 farmsteads without land, equal to 4% ; 9% farmsteads without cultivated land ; and 30% of the properties were without working cattle. "It would pretty well agree with the facts if we said that 40% of the properties belong to medium peasants, 50% to proletarians and 10% to the prosperous class of peasants."\*

The October Revolution and the division of the large estates among the peasants brought about a radical change in the property relations. "Almost the whole area of arable land belonging to the large and small private landed properties, passed into the hands of the peasantry. The Soviet authority merely succeeded in preserving about 2 millions dessiatines for the Soviet economy. The peasants received likewise a share of urban lands. In addition, all church, monastic and a portion of the State lands fell into the hands of the peasants. The peasants received a total of 40 million dessiatines of private land alone." (The entire area of the cultivatable land of Russia was stated to be 71,430,000 dessiatines in 1916).

\* Miljutin : *Sozialismus und Landwirtschaft*.

Generally speaking, there remained to the Soviet Government, in addition to the 2 million dessiatines of Soviet property, the woods and non-arable portions of the State lands and the forests of the private landowners. "In this manner, the Russian Communist Party was forced to break a lance for Socialism in agricultural matters, under the most unfavourable conditions."

"The greater portion of the land which is actually in the possession of the State is unsuitable for cultivation. The largest part of the land that is suitable for cultivation is in the possession of the small peasant owners." ("ABC of Communism.")

Thus, the immediate result of the agrarian revolution in Russia was that more than 15 million peasant proprietaries were created, and their viability assured by the division of the large private estates.

The hope that the Mir, the old Russian village community, would form a stepping stone to socialised agriculture, has proved to be wholly delusive, as the land partition has completely destroyed the already weakened constitution of old village communism. The dissipation of this illusion is evidenced by the fact that both Bucharin and Preobraschensky, and Miljutin base their hopes for the socialisation of agriculture upon two quite different institutions: upon the rural "communes" and the Soviet "properties."

The rural "communes" represent new Bolshevik creations. The rural "artels" which arose in the sixties of the last century, and for a time

were places of refuge for the Narodniki—associations of an average of 10 to 12 farmers, for the common management and cultivation of fields—were stillborn. Even the Narodnik S. Maslow, who was extremely anxious to view the “artels” in a favourable light, was obliged to make the admission that “they were extremely weak, and primitive structures.” “The Russian “artel” is exceedingly poor in membership, is loosely knit together, and easily falls to pieces.” This prediction was fulfilled: the agricultural co-operative societies, credit co-operative societies, etc., which developed a vigorous life, and which took their places, bore a capitalist impress throughout. But it was precisely these which Miljutin declared to be superfluous and useless for the socialisation of agriculture. All the greater were his hopes of the agricultural communes. “In their most developed form, the agricultural communes represent a fusion of small scale agriculture. The parcels of land are aggregated to form a common estate, agricultural machines and materials are common property; the cattle are likewise held in common, and, finally, labour is performed in common.”

This conception of the communist character of the agricultural commune, which is held by the Bolsheviks, is not shared by the peasants themselves. Miljutin goes on to say: “In view of this fact the country communes find constant enemies among the small proprietors, who incline to the bourgeoisie.”

In the newspapers there were frequent paragraphs to the effect that a feeling could be observed among the peasants, which expressed itself in the words, "Down with the Communists ; hurrah for the Bolsheviks," or, "Long live the Soviet Government ; down with the Commune." Unrest and armed insurrection among the peasants were constantly found behind these watchwords. "We perceive here the class struggle of the small proprietors against socialism."

As a consequence of this, the movement to establish communes, which required of the peasant that he should renounce his rights of property, a portion of which had only just been won, made slow progress. Where attempts were made to set up these communes by forcible means, the final results were of a negative character. The peasants treated this compulsion with contempt.

According to Miljutin, only 6,000 Communes, covering an area of one million dessiatines, had come into existence by the autumn of 1919. A later and more exact estimate gave the number of communes on the 1st September, 1920, as 1,826.

The cultivation of the soil in common, is insignificant in extent. In September, 1920, only 962 cases of the cultivation of land on communal principles, involving 64,948 persons, and 34,914 dessiatines of land, could be counted. Miljutin's verdict is, in the circumstances, more than justified : "The process of assembling the peasants in communes is a very tedious and protracted business. A rapid development cannot be depended

upon at all." Even Bucharin and Preobraschensky admit that it is "extraordinarily difficult to gain the adherence of even the poorest in the village to the communes, but it would be wholly and fundamentally wrong to attempt, by hasty and ill-conceived methods, to coerce the middle section of the peasants. On the contrary, all means must be employed to avoid forcible enrolment in the communes.

The spirit in which the Soviet farms was conceived was that they should serve as a model to be followed by agricultural co-operation. They were projected as large undertakings which should be worked by using all technical appliances, in contrast to the co-partnership of small properties, which, in their totality, rarely exceeded the size of a medium-sized farm. The Soviet farms were to become the chief sources of supply for the town population, and thereby render the towns independent of supplies from the peasants. "For the time being, precise estimates cannot be compiled, but if it should prove to be possible for the  $1\frac{1}{2}$  millions of dessiatines of land, belonging to the Soviet farms, to yield 20 to 30 millions of poods of corn, and for the corn to be delivered to the State distributive organs, this would constitute such a notable success that a yearly increase in the total crop would thereby be greatly facilitated." (Miljutin)

This excess in the production of the Soviet farms is needed all the more, as the communes, according to Miljutin, "often represent the type of the self-consuming organisation, which exists for its own

benefit, and does not work and produce for the community as a whole."

The prosperity of the Soviet properties was all the more necessary for Russia, as in the process of dividing up the big estates "many properties in a high state of cultivation were plundered, in which model farming had been carried on, and in which breeds of cattle and complex agricultural machines existed." ("ABC of Communism.")

Only a portion of these properties would be saved, and transformed into Soviet undertakings.

According to Bucharin and Preobraschensky, the Soviet properties "are the only possible places where a great socialist model economy, with all the advantages which it implies, can be set up. Only by means of the Soviet farms could we actually exhibit all the advantages of large-scale collective agriculture under the very nose of the peasant."

"We could introduce a proper system of rotation on the Soviet farms, and demonstrate in practice all the benefits of the three-field system. We could equip the Soviet farms with all agricultural machinery, even the most intricate. The Soviet estates are the only farms on which the breeds of cattle can be saved from destruction, and improved." But the organisation of these Soviet undertakings raised the most difficult problems for the Bolsheviks. "The problem of administration will remain in the foreground for a long time; it is especially difficult to solve it at the present time, as we are grappling with the damnable inheritance of the late capitalist order of society." (Miljutin).

At the end of July, 1920, 3,076 Soviet farms, situated in 40 governments, could be counted. According to the report of the All-Russian Land-workers' Union, they employed about 100,000 persons, an insignificant number in comparison with the enormous mass of peasants. Bucharin and Preobraschensky are obliged by stubborn facts to make the admission: "Whatever future success may attend the organisation of the Soviet farms and communes, the small peasant economy will survive for a long time, and will remain for a long time the prevailing type of Russian agriculture both as regards the area of land covered, and the quantities of crops raised." A rapid extension of Soviet undertakings is the less likely in view of the fact that the "provision factories" have realised very few of the hopes that were placed in them. "Meanwhile, the state farming enterprises are beset with the greatest difficulties; there was a shortage of trained, and, above all, honest managers; the quantities of livestock had been reduced to 10%; the greatest efforts were necessary in order to collect horses and team oxen, as well as the requisite dead stock. A general statement of the actual output of these Soviet farms, together with their own consumption, is, unfortunately, not published. "It has been asserted of some of these undertakings that they consumed more products than they created. How much truth there is in this cannot be ascertained in the absence of accounts." (Ballod: *Soviet Russia*).



✓ Lenin himself has realised for years what a power is represented by the peasants, especially the many millions of the middle section of peasants, and what folly it would be to come into conflict with them. He also mentions the peasants' slogan of "Hurrah for the Soviet Government: down with the Commune!" (*i.e.* with Communism), and draws from it the conclusion, "We must not for one moment forget what enormous harm would be done by any intemperance, hotheadedness, and rashness. The place-hunters and adventurers who have found lodgment among the communists have sought to show their zeal by adopting hasty methods of compulsion. This was idiotic and stupid, because "nothing can be achieved by force." Methods of compulsion applied to the middle section of the peasants would only cause the greatest harm."\*

As a matter of fact, the desperate conditions of Soviet Russia left the Bolsheviks no choice but to interfere with the peasants. The hunger of the towns, and the necessity of supplying the wants of the Red Armies obliged them to exact considerable quantities of corn, especially from the middle section of the peasants. Force was used in collecting the corn, because the Soviet Government was able to pay for only a portion of the corn with goods, and the peasants disdained the utterly worthless Soviet money. The "struggle for bread" even necessitated the creation of a special requisitions

\* Lenin: *Das Verhältnis der Kommunisten zum mittleren Bauerntum.*

army. "The so-called food battalions, the food army, and the organs of labour inspection occupied a special position in the general scheme of organisation of the food supply. These battalions and the army form the fulcrum of the activities of the local food commissariats and their organs, especially in regard to the procuring of corn and fodder." The battalions have to fix the amounts of corn to be delivered, to collect it and organise its transport.

"At this moment (summer of 1920) the food commissariats have at their disposal more than 500 of such battalions, of a total strength of 20,000. The so-called food army exists for the purpose of forcibly requisitioning the surpluses of corn, in the cases where the owners evade making the deliveries. In the course of the year 1918 this army varied in strength, at different times, from 20,000 to 40,000 men. For the year 1919-1920 the army is to be maintained at such a strength that it will not fall below 45,000.\*

Recently the friction with the peasantry has become considerably more acute, in consequence of the heavy crop failures in many governments, which have increased the food shortage in the towns, and consequently the forcible requisitions. Only the future can decide whether the compromise which has been forced from Lenin by this desperate position, to permit the peasant to sell his corn under conditions of private trade, in return for delivering up a minimum quantity to the authorities, will find a way out of the difficulty.

\* A. Swiderski: *Die Lebensmittelpolitik der Sowjetregierung*.

*Financial Policy.*

Upon the Soviet Government devolved the two-fold task of financing the State administration, and the nationalised industries. The establishment of the Soviet Republic and the nationalisation of industry did not spell deliverance from the monetary system. Various opinions are held at the present time as to whether money will play a part in the socialist society, as a medium of exchange and a measure of value. Neurath, for example, believes that a socialised economy would be a purely natural economy, whereas Kautsky holds that money would still be indispensable. In any case, a purely natural economy would be possible only where the productivity of labour in all spheres had reached such a height that a superfluity prevailed of all desirable as well as of all necessary products, so that every member of society could satisfy his individual needs out of the common store. From such a state of affairs Russia is further removed than any other country, and consequently there can be no doubt as yet of the extinction of money in that country. This has been frankly admitted by Bucharin and Preobraschensky. In the "ABC of Communism" we read "Money will be unknown in the communist society. In that society each worker will create products for the common use, but will receive no voucher for the fact that he has delivered the product, that is, he will obtain no money. Similarly he will not pay any money to society when he has

to take something from the common store. It will be quite different in the socialist system, which will serve as the transition stage from capitalism to communism. In commodity production, money arises inevitably and plays a part. In the socialist society, commodity production will, to some extent, continue to exist." The authors base this opinion upon the exchange needs of the small industries that have not yet been nationalised, and the similar needs of the peasants. So long as there are some members of society outside the pale of socialised production, the State will have to square accounts with these members by means of money.

We have seen that the Soviet authority, owing to the lack of goods, is not in a position to guarantee a physical existence to the workers in the nationalised undertakings by paying them in kind, and they are obliged to fall back on private trade.

In Russia the banks were nationalised at the same time as industry was nationalised. The "ABC of Communism" states that measure dealt a crushing blow to the capitalist classes. "After the socialist transformation, or, to express it better, during the socialist transformation, the proletariat must take possession of all the banks, and, above all, of the central State Bank. This is necessary, above all, in order to confiscate all the money deposits of the bourgeoisie, all the bills and all the various money obligations of the capitalists. By this seizure a fatal blow is struck at capitalist exploitation."

Socialisation in Russia was carried out in such a way that the nationalisation of banks could, in fact, not be avoided, if the socialised undertakings were not to be exposed to a withdrawal of credit.

As nationalisation did not abolish the monetary system, and it was necessary to continue to finance the nationalised undertakings, which, indeed, required enormous subsidies, in consequence of the economic disorder, the whole of the banking and credit establishments had to be brought under the control of the Soviet Government.

For some time the factories had been living chiefly upon their bank balance. The centralisation of financial control brought with it a new financial method. Alfons Goldschmidt illustrates this in the organisation practice of the Textile Trust, the "Glawk Textile." "At first loans were given up to 75% of the value of the stock. The factories were obliged to invoice at prices which were fixed by the central committee of the textile industry. The finished commodities were also charged in this way. The consequence was that all textile products become the property of the Central Committee of the Textile Industry. It was eminently a process of centralisation. It was the commencement of a budget of production. The factories received money only after showing their balance sheet or the stock lists of their production." This centralisation of the control of production and finance, first applied to single trusts, gradually extended to the whole of nationalised production, which was linked up by means

of a national plan of production, and a common financial basis. Each factory has to prepare its budget on a certain date, and to remit it to the central committee of the trust. After a special department of the central has verified and sanctioned the factory budgets, they are approved by the financial department of the Supreme Council for Public Economy, and the Finance Commissariat authorises the National Bank to pay out or to credit the corresponding sums.

Goldschmidt belauds this system of factory accountancy and production budget, as a model of economy and conscientiousness.

But even if the system were inspired by these intentions, the strongest doubts exist as to its practicability. Various conditions would have to be fulfilled if a socialistic system, planned according to needs, is to prove more rational and economic than capitalist commodity production. In the first place, it pre-supposes an unimpaired technical apparatus of production and exchange; secondly, the existence of workers and officials who work with enthusiasm and loyalty, because the visible results of their efforts repay all zeal. In Russia, both these conditions are lacking. The productive apparatus and the means of exchange are in a desperate condition, and the energy of the workers and officials has been reduced to a minimum by material deprivations of the worst kind. Ballod's detailed investigations into the state of production in Soviet Russia absolutely confirm the assertion of the Menshevist leader Abramovitch, that the entire

production has sunk to 10 to 15% of its pre-war dimensions. According to an estimate of Miljutin, on the 1st February, 1920, there were in all Russia only 985,413 workers who worked in 4,237 State undertakings. And to whichever of the 35 wage categories, established by the Supreme Council of Public Economy, which fixes prices and wages, the workers and officials belong, whether they draw a monthly wage of 3,000 roubles, or 15,000 roubles—like many qualified workers—the highest scale of remuneration does not suffice for a dignified human existence.

The rationed quantities of foodstuffs are inadequate, and, in addition, are very irregularly supplied. "Perhaps the question may arise in the minds of many as to why the workers do not buy the things they lack. This is not possible because they simply cannot pay the prices fixed by open trading. When they are obliged to pay 500 to 900 roubles for a pound of bread in the market, and 5,000 to 6,000 roubles for a pound of butter, they would have to receive 100,000 roubles a month to make both ends meet."\*

Because the Russian worker hungers, and because production presents the spectacle of an immense heap of ruins, the indolence which already afflicted him has grown to be a distinguishing feature under the Soviet system.

We know that during the early stages of nationalisation the undertakings required enormous subsidies. "Up to the 1st May, 1918, the industry

\* Souchy: *Wie lebt der Arbeiter und Bauer in Russland*.

in the Urals had received a State subsidy amounting to 105 millions, although the whole of the original capital of the joint stock companies only amounted to 250 millions. The same report tells us that the great locomotive works of Samora, which were almost at a standstill, had received a subsidy of 620 millions up to the spring of 1918. According to another report, individual factories had received many times their share capitals. Thus the factory of Kolomna-Sormovo received 74 millions of roubles."\*

And Goldschmidt himself reports that the total budget of production of the textile industry was estimated at  $6\frac{1}{2}$  billion roubles for the first half of 1919, that is, "considerably in excess of their requirements." It is said that, as a result of the budget of production and the careful budgetting of details, the position has been totally changed. As if any system of budgetting and accountancy could make any alteration to the indolence of the worker, and the deficiencies of the productive apparatus, or, in short, to the productivity of labour! Even the most accurate budgetting can only put the abnormally high cost of production in the balance sheet, and leave the Supreme Council of Economy the alternative, either to add the disproportionately high charges to the price, or to balance the loss on the industry by a corresponding subsidy.

The latter course is resorted to all the more readily, as the Soviet Government does not view

\* Dr. Hirschberg : *Bolshevismus*.



in any tragic light the policy of subsidies and the manufacture of paper money, but consider them to be an excellent means of completely destroying the foundations of the capitalist system. We are informed by Bucharin and Preobraschensky that "the slow disappearance of money is also followed by huge issues of paper money by the State, and by considerable restrictions in the exchange of commodities, caused by the confusion in industry. The constant depreciation in the value of money, is, at bottom, an elementary method of abolishing it."

Matthias Erzberger reasoned in a similar superficial and frivolous manner when he declared that a heavy depreciation in the value of money was really a piece of socialisation, as the capitalists were thereby expropriated.

As each and all have known for a long time, an unexampled increase of prosperity and concentration of capital has proceeded during the currency depreciation, whereas the burdens of the proletariat have been doubled or trebled by the dearth of commodities. Although no process of capitalist concentration has been carried out in Soviet Russia, the currency depreciation, caused by a senseless manufacture of money notes, has hit the Russian proletariat much harder than the German proletariat, as it has been accompanied by the complete dislocation of industry, and also by a substantial decline in agricultural production, in consequence of the lack of industrial products.

Even if the Soviet Government could have foreseen, at the beginning, the tragic effects of

currency depreciation upon the proletariat, after the policy of hasty socialisation had been entered upon, no other means remained for making good the deficit in production and the State administration but the manufacture of ever vaster quantities of paper money. Listen to the testimony of the "A B C of Communism." "At the beginning of its existence the Soviet Power had several extraordinary sources of income, such as the sequestered bank deposits of the middle class, the State supplies of gold, which the old government had left behind, and amounts which were collected as contributions from the middle classes, or arose from the sale of confiscated provisions to private dealers and firms. But all these sources of income seemed very small in comparison with the necessary expenditure. A progressive income tax yielded, and still yields, no great result. So far as it applies to workers and employees, it has no meaning, as the State takes back in this way, in the shape of taxes, what it has paid out in the form of wages. So far as it applies to the urban middle classes, officially such classes do not generally exist, and often do not even carry on their avocations. As regards the middle section of the peasants, their taxation is impracticable, for political reasons, so long as the civil war exists. The attempt to raise an extraordinary Revolution Tax of 10 milliards failed, as not quite 2 milliards were collected after the greatest efforts had been exerted. The chief source of the income of the State is the printing of paper money."

What enormous quantities of Soviet roubles it was necessary to create is apparent from the announcement of the "ABC of Communism" that the expenditure for the first half of 1919 amounted to not less than 45,000 millions of roubles, of which 11,000 were destined for the Council of National Economy, 8,753 millions for the Re-victualling Service and 12,150 millions for the Army. The total expenditure of about 20,000 millions for the Council of National Economy and the Re-victualling Service includes the enormous subsidies to those industries which do not create nearly enough products to be able to support their workers and the officials of the administrative machinery of the business. In passing, we may note that as, according to Souchy, the official staff of the Supreme Economic machinery comprises 20,000 persons, and there are 2,000 persons attached to each of the 35 local councils which are subordinate to it, one official falls to every 10 workers. Instead of cheap government there is excessive bureaucracy. As the Soviet Government was obliged to raise about 45,000 millions of roubles by the issue of paper money, it is no wonder that the flood of paper money swelled into gigantic dimensions. "I was informed that in May, 1920, there was a total sum of at least 600 milliards of roubles and a daily increase of at least 2 to 3 milliards of roubles." (Goldschmidt). And for this gigantic wholesale production of paper roubles, the sole industry which flourishes in Soviet Russia, Goldschmidt feels a kind of aesthetic admiration.

"Notes are manufactured, nominal values of milliards flutter daily throughout the country. Fresh milliards come with each day. They circulate through the country, and are never called in by the office of issue. Likewise the stream of notes has no legality and is not regulated. It (who is "it?") is unconcerned about the purchasing power of these notes, and will have nothing to do with their value."

The mysterious "it" must obviously be the Soviet Government, which does not care a rap about the value or the collapse of its money notes, as it lives in the childlike faith that by means of the irreparable currency disorder it is causing the ruin of money capital and with it, of capitalism generally. But the melancholy fact that the rouble has sunk to less than 1-2500th of its nominal value, has hitherto had a fatal effect only upon the Russian proletariat and the Russian national economy. In the words of Radek, it has driven the proletariat through a "hell of torment," has indescribably disorganised industrial production, and corrupted in such a way the similarly suffering Soviet officials that a renovation of the bureaucratically directed national economy is hardly to be expected from these quarters. It has also permitted the cultivation of the land to decline to such an extent (in the government of Charkov—it has declined to about 65%, according to Souchy)—that even the concession of free trade in corn scarcely offers a change for the better. For a bundle of thousands of roubles the peasant can barely purchase a commodity.

*The Upshot of Bolshevism.*

In the account of his Russian impressions, Arthur Holitscher relates that the Bolsheviks had repeatedly declared to him "What we need here are people with imagination and not small matter-of-fact minds which do not see farther than their noses." As a matter of fact, they have not had a happy experience with studious travellers who possessed a sense of realities, and were equipped with economic knowledge and political experience. Ballod himself, who went with the best intentions, and to whom neither imagination nor constructive thought could be denied, returned thoroughly sobered. For this reason they welcome literary men, who are aesthetes, and nothing more, who pay little attention to economic facts, but attach much importance to the impressions which come through the feelings; who take the will for the deed; who are so intoxicated by colossal schemes that they omit to enquire to what extent such schemes have been realised up to date and how much appears to be realisable at all in the existing economic and psychological conditions of Soviet Russia.

The classical type of this literary investigator is, in spite of his possessing special economic knowledge, Alfons Goldschmidt. He revels in describing the grandiose economic structure. The scheme of organisation, the wonderful paper machine, is the most important thing for him. What is actually done by the machine offers no difficulties to him.

Once the centralisation has been effected, the question of increasing production will give no further trouble. As against Goldschmidt, Ballod is right when he declares that, on the contrary, magnitude of production is the most urgent question, as the characteristic feature of Soviet Russia is that, centralisation having been realised, production has everywhere declined. Thus the problem to be solved is the nature of the causes of this contradiction. Such romantic minds as Goldschmidt cannot apply themselves to such prosaic tasks. If he does once mention a figure, it does all honour to his boundless imagination. As Ballod says, he has given currency to the fable that in devastated, starving and plundered Russia, 8 milliards poods of the old store of corn still remain in existence, a quantity that corresponds to the whole exportation of the last twelve years of peace put together.

But even those literary men who visited the scene of their souls' yearnings, cannot quite conceal the desperate position of the Russian proletariat, and the slackness of the official machinery.

"Obstacles worse still," said Holitscher, "than the external one of the blockade and the civil war constantly waged by the reaction, were put in the way of Bolshevism and its leaders by the lack on the part of the men they had to deal with of those moral qualities necessary for putting an ideal into practice. A People's Commissary declared to me, with a bitter laugh, that the Russian worker had received too little capitalist discipline in the period

before the October Revolution, and was, therefore, not predisposed to the effort necessary for systematic production. The best and most dependable workers are the Lithuanians, the Poles and the Jews." Holitscher also does not omit the reproach raised so many times, and rightly so, that it was inexcusable to make so daring an experiment with such inappropriate human material. "It is not, after all, the sincere socialists who level this reproach, as they fear that the collapse of what they call the Bolshevik experiment will provoke a world-wide strengthening of capitalism and a discrediting of socialist ideas for an incalculable time." Wilhelm Hertzog also describes the Russian Empire most realistically as "arbitrary, uneconomic, and wretchedly cultivated. For centuries, under Czardom, it was found difficult to accustom the inhabitants to regular work. Their inclination was to do nothing, to let things happen and take what comes. Everywhere the influence of the East was visible, in manners, in customs, in idleness, as in the dirt of the houses and farm yards." And then comes quickly the literary rhapsody. "And, perhaps, in spite of the dirt and the disorder, these people are happier than we are."\* Have not the Lenins and Trotskys imposed Communism upon these fortunate lazzaroni?

It is not quite correct to lay the distaste for work and the apathy of the Russian masses to the charge of Czarism, as Hertzog does. There is no doubt the labour morale and labour discipline

\* Wilhelm Hertzog: *Russisches Notizbuch*.

of the Russian worker was once much better. By the dislocation of industry and the starvation of the people, Bolshevism has first created that stupor and dulness which up till now has resisted all attempts to remove it. Quite recently an attempt has been made to master the evil by means of the most rigid centralisation and the strictest discipline of labour, carried to the point of militarism. It has not succeeded. Now another chance is to be given to decentralisation, by granting to the trade unions and the co-operative societies greater independence and freedom of action. It is to be fervently hoped that by this means the masses will be shaken out of their lethargy, and the corruption of the administrative machine will at least be lessened. After the experiences of the early days of the Revolution, it is futile to expect sure and definite effects. At least, a democratisation of the government and administration will produce certain subsidiary effects which will not be very pleasant to Bolshevism. Loosening the cords of centralisation will also slacken the cords of nationalisation. Many over-hasty and forced measures of socialisation will have to be abandoned, when once private trading and private initiative, which will follow from the policy of concessions, begin to revive, when industry again awakens, and when the peasants, who are mainly inclined to private enterprise, begin to learn, with the help of the co-operative societies, how to promote their interests by political means. It will then be the concern of Russian Communism to make an orderly



and systematic retreat, to vacate at the right time, and without a struggle, such positions as are untenable, but to defend all the more tenaciously, and with double strength, those positions which in the general situation may be maintained. If it should turn out that the most important industries, such as the mines, the metal industry, and the textile industry, will be preserved as socialised undertakings, then the immense expenditure in proletarian sacrifice and communist sacrifice will, at least, not have been quite in vain.

A few words respecting the sphere in which the Bolsheviks have been credited with achieving the greatest success, viz., the educational policy of Bolshevism. Assuredly Bolshevism has entertained very large ideas in this matter, and has attained some very desirable results, but the notion that it has achieved a decisive revolutionary success in the moral and intellectual domain is nothing but a infinite illusion. Bolshevism has certainly managed to effect a not inconsiderable reduction in the percentage of illiterates. But that mechanical reading and writing morally transforms and revolutionises the masses will not be seriously contended by any one who belongs to the country with the best popular schools and the slightest percentage of illiterates—Germany.

Moreover, in spite of all the vigorous efforts of the People's Commissariat for Education, the school conditions in Soviet Russia are deplorable.

A large proportion of children of school age attend no school, for the lack of teachers.

Bucharin and Preobraschensky, indeed, announce that the expenditure on popular education for the first half-year of 1919 had grown to 3,888 millions, against 195 millions of roubles in the year 1916, being a twenty-fold increase, but even Arthur Holitscher condemns such boasting: "Every child knows that the purchasing power of a million roubles in 1920 was equivalent to the purchasing power of 1,000 or even 500 under the last Czar. Away with statistics!" The entire educational service of the Soviet Republic is chiefly only projects and music of the future. This is in no way altered by the apparently huge growth of the Communist Union of Teachers, of which the membership for 1919-20 is stated by Lunatcharsky to be 80,000, although previously he estimated the total number of teachers after the October Revolution at only 53,000. But the riddle is easily solved by the fact that the Union includes the personnel attached to the schools—porters, caretakers, and cooks. "The ABC of Communism" laments "the lack of genuine communist teachers in the Proletarian State. The number of communists among the teachers, as among the experts generally, constitutes only a slender minority. The number of *opponents* of Communism is considerably greater." This factor is of the greatest importance for a development which is no longer under the rigorous control of a communist minority. It is likewise worthy of notice that in the "ABC of Communism" the statement that the annual income of the Russian priesthood formerly

amounted to "150 millions of roubles, or one hundred times this figure in our present values," is followed by the laconic but pregnant sentence: "A great portion of this income is received by the priesthood from the people even to the present day." In other words, as the public offerings to the Church have been abolished, and its capital property expropriated, these sums come from the voluntary offerings *of the masses of the people*. As the total number of the "white and black priesthood" amounts to 188,218 persons, the influence of the Church in the Soviet Republic must still be a powerful one.

There is no hurry to realise the fine corollary to the programme that the proletariat must develop "its own creative power" in the sphere of art, ethics and science. And however excellent may be the description of bourgeois science as having gradually gone to pieces as a result of socialisation, so that the disintegration of science has corresponded with the disintegration of bourgeois society, and however ideal the communist demand for its reorganisation may sound, in the meantime extremely little can be done to translate it into practice. Science is built up and made serviceable to society by infinite and painstaking labour. And even art cannot be taken by storm, but is won only by serious cultural labours. Lunatcharsky admits in his theses: "The independence of proletarian creative activity does not yet express itself in absolute originality of an artistic nature, and pre-supposes an acquaintance with the fruit

of preceding culture." The barbarous aping, "expressionist" absurdities, which represent only the leavings of a degenerate studio and bourgeois "art," cannot compensate for the lack of such a development.

The follies of a Tatlin who, constructs "allegorical communist works of art" out of pipes, broken wheels, fragments of rails, and similar materials, may well be hailed as revolutionary art by crazy artists or by naïve proletarians who deserve pity, but they will certainly before long find their way into the museum of world history, as a pathological phenomena of a time morally out of joint.

Moreover, even the most famous "expressionists" in Soviet Russia are not protected from the severest deprivations. Kadinsky and Chagall are, indeed, as Wilhelm Hertzog reports, Soviet officials, as museum curator and art teacher, but with very slender remuneration. Kadinsky complained to Hertzog about the lack of the necessities of life. His monthly salary amounted to 4,800 roubles. It was impossible for a person to live on this sum. It suffices for two or three days. He receives 20,000 roubles for a picture. This is "as good as nothing," in view of the prices of the necessities of life—550 roubles for a pound of bread, 1,300 roubles for a pound of salt, 200 roubles for a pound of potatoes. How it fares with the workers who have no pictures to sell for 20,000 roubles apiece, can easily be imagined. The men of letters have endured unspeakable miseries for years, as Ballod shows. Such is the artistic side of Bolshevism.

And in spite of all, Bolshevism exerts a strong attractive force upon numerous intellectuals and intelligent workers. Ballod has correctly perceived the cause of this phenomenon: "It is their logically-complete brand of Socialism which, in spite of the terror, gains more and more friends and adherents to the Bolsheviks, both among the working classes and among the intelligentsia of the academic class. Consistently-minded economists and technicians are captivated by the fondness of the Bolsheviks for large ideas and far-reaching economic schemes, such as the electrification of industry and agriculture, and the organisation of the water power of Russia. . . ." For example, according to the plans of Klingenberg, a "scheme of electricity economy" is to be put into operation, under the direction of Krischanowsky, which causes Alfons Goldschmidt to go into ecstasies. In the Petrograd district water power is to be utilised for the generation of electrical energy, and for the electrification of the railways of the northern district. Great power centres are to be built on the shores of the White Sea and at Murmansk, in order to create entirely new conditions of production for the North. Great nitrogen works are to be laid down there, and also aluminium works. The surrounding agriculture is to be intensified with the aid of artificial nitrogen and of potash. An electrical current is to connect Petrograd with the White Sea. The Petrograd district is to become a thoroughly modern centre of transport, with Petrograd as a huge emporium for the socialist export trade.

Artificial manure and electrical energy are not only to be the means of increasing the productivity of agriculture, but are also to prepare the way for the transition to large-scale agriculture. The old three-field system, the infertile part-tillage economy, is to disappear, as well as the primitive plough, before modern methods of cultivation. This is to take place not only in the Petrograd district, but also in the Volga region, as the latter area includes wide tracts of black fertile soil, which readily lends itself to exploitation. The frequent drought will be combated by a net-work of irrigating canals.

“ Electrification, irrigation, modern implements and machinery, and as a result thereof, collective agriculture, will not only make this region the corn granary of Russia, but a source of supply for the whole world.”

But this is not sufficient. East of the Urals are vast stretches of land, which still await cultivation. “ This constitutes a world question. For instance, the Altai district is a garden of paradise. 150 millions of dessiatines here await modern methods of intensive cultivation.” In Western Siberia, facilities can be created for 90 millions of settlers where there is not only agricultural wealth to be realised but mineral wealth, coal deposits and peat bogs. “ The problem of generating electricity from peat is near its solution in Russia, and, accordingly great peat centres will be constructed. Western Siberia has all the requisite material. It also has great masses of polymorphous ore and the rise of a new metallurgical industry may,

therefore, be anticipated." And as for European Russia! The possibilities of raising productivity and increasing the exploitation of coal, naphtha, ore, cotton, etc.! And finally, the immense prospect which opens up for world economy: "We do not want merely a national system of socialism; we want a world-wide socialist order. We want an entirely new principle, a systematic policy for the rationing of the world's products. We want the fullest knowledge of all available supplies and a distribution of forces on the most economical basis."

Surely, if instead of this rosy picture of the future, one contemplates the gloomy present of Soviet Russia—its machinery of transport pulled to pieces; its industry for the most part idle, and for the rest feebly vegetating; its broken fields, choked with weeds; its decimated and emaciated cattle; its deserted towns, its corrupt bureaucracy, its degenerated and embittered workers; its mutinous peasantry; in short, its entire devastation and desolation; Goldschmidt's promises of a luxurious and brilliant future seem like a frivolous *Fata Morgana*.

However certain it may be that Russia is unable, by its own strength, and with the resources of its communist organisation, to emerge from the poverty and devastation, still a commanding idea, a boldly conceived and logically constructed economic scheme, exercises a fascination upon active and optimistic spirits.

Especially at a time when everything—the

entire existence of the population and the lives of millions—has been staked, without hesitation, in order to pursue a reactionary utopia, a mad imperialist idea, whereas now, when ten-fold courage is needed to remove unexampled mass poverty and an appalling degree of economic anarchy, all active energy and idealism seems to be extinguished. The opportunism of German politics, which penetrates deeply into socialist circles, contrasts too sharply with the colossal projects of the Bolsheviks for even cautious and logical minds not to prefer the all too much to the all too little. Consequently, Bolshevism will not be overcome, in a political and intellectual sense by empty and trivial parliamentary routine, and the practice of leaving Capitalism intact, but only by a socialist policy, which shows an equal understanding of the psychology of those who are pressing onwards and of economic facts that cannot be altered.



## CHAPTER IV.

THE EPISODE OF THE HUNGARIAN  
DICTATORSHIP.

THE experiences relating to economics and mass psychology through which Hungary passed during its short Soviet Dictatorship, have been described for us in the readable book of Professor Varga,\* the man who, as President of the Supreme Economic Council of the Hungarian Soviet Republic, had to grapple most energetically with the problems of social transformation.

In spite of the collapse of the Hungarian Soviet Dictatorship, in spite of its terrible consequences for the Hungarian proletariat, Varga remains a champion of the Bolshevik method of complete and forcible socialisation. He sees only the alternatives: Bolshevism or Capitalism. He believes that the "evolutionary interpretation of the Marxian doctrines leads the proletariat and its leaders to a "passive and fatalistic ideology,"

\* Eugen Varga : *Die Wirtschaftlichen Probleme der proletarischen Diktatur.*

which hopes for an automatic dissolution of Capitalism, and hopes in vain. If the proletariat be adapted to the realities of Capitalism, "the latter would remain in existence for ever, overcoming all its internal contradictions at the expense of the proletariat. Neither the anarchy in production, nor the crisis, neither the fall in the rate of profit nor the impoverishment of the masses, would bring about the collapse of the capitalist system." This could only be achieved by the "conscious revolutionary struggle" in the Bolshevik sense and by the proletarian dictatorship.

Nevertheless, the strongest arguments against the Bolshevik methods are to be found in Varga's manifestly impartial statement of the case.

Even when proper allowances have been made for all the economic and psychological difficulties and friction, one comes to the conclusion that the Hungarian Soviet experiment was bound to collapse through internal opposition, if its end had not been hastened by the external catastrophe.

In this respect Soviet Hungary, at the beginning, was under a luckier star than Soviet Russia. "In Hungary, the dictatorship was achieved without civil war, and the whole of the State officials and experts gave their adherence, at the commencement, without any opposition." The ruling classes participated from the start, in this national Bolshevism. For various reasons, Varga decided to take part in the establishment of the dictatorship. Already the October Revolution had brought

"a complete slackening of labour discipline," a sort of wild socialisation. In the factories, works committees were formed, which arbitrarily fixed wages and arbitrarily excluded detested managers from the business, and socialised individual undertakings, that is, declared them to be the property of the workers. In face of these developments, Capitalism was absolutely helpless, because it had no armed force wherewith to impose class rule and class discipline. The output of labour diminished from day to day, the whole machinery of production went steadily into decay." This convinced Varga and other socialists, who were possessed of economic knowledge, "that only the dictatorship of the proletariat would make the restoration of production possible. This may also have been the temporary opinion of many adherents of the middle classes. But when the proletarian dictatorship ended in economic chaos and war, when Socialism had fallen into discredit and made itself hated, collapsing under the blows of reaction and the external enemy, the ruling class, which two months before had been so helpless and impotent, swung again laughing into the saddle. A discouraging example of what is finally to be expected of the Bolshevism or national Bolshevism of the proletariat.

As the ruling class offered no opposition, and as the smallness of the country permitted the adoption of vigorous measures, it was possible to carry out socialisation very rapidly.

In Russia steps were taken to socialise only the

large undertakings: "In Hungary on the other hand, all businesses which employed more than 20 workers were expropriated at one blow, within the month of March. In practice this line of demarcation was often overstepped, because class-conscious workers in undertakings employing 10 to 19 men, would no longer submit to the employer, and effected the expropriation of the business." At the same time, a systematic and centralised scheme of organisation was proceeded with, upon the Russian model, with which we are already familiar. Industry was consolidated into a trust. The separate undertakings became departments of the business central and both raw materials and auxiliary materials were dealt with centrally. Accountancy was restricted to the booking of materials and costing. At least, so it was provided in the scheme of organisation. Owing, however, to the short duration of the Hungarian Soviet, many proposals were not carried out. The various war-time departments were transformed into offices for the organisation and distribution of material. "The organisation of the offices was composed of an executive official staff and a managing committee which looked after distribution, which comprised the representatives of the trade union engaged in utilising the materials concerned. Offices of this kind existed for coal, wood, iron, and iron wares, building materials, chemicals, petroleum and benzine, glass, leather, textile goods, and also for consumable goods such as corn, fodder, sugar, spirits, furniture, etc."

At the head of the whole economic organisation stood the Supreme Economic Council, which possessed an executive committee, formed of representatives of the trade unions, the local councils of economy, the consumers' societies, the central department of the agricultural co-operative associations, and the departments for materials, and numbered 80 members. "All important regulations, especially those connected with the organisation of production, labour discipline, wages and the revictualling service, were submitted to the Council." Sub-committees were elected for the consideration of particular questions, to which experts were attached. For the problems of agriculture, which demanded special attention in agrarian Hungary, a special agricultural council of 40 persons was set up, to which representatives of the land workers, of the industrial unions associated with agriculture, of the agricultural co-operative production societies, of the consumers' societies, and experts belonged. Further, to the Supreme Council of Economy there was also attached the Supreme Technical Council, which was composed of 60 members, drawn from "the best engineers, professors of technical high schools and individual members of trade unions." Finally, there were local councils of economy, composed of delegates of the local political committees of the trade unions, the representatives of the large businesses and the consumers' organisations. "The local councils of economy worked in co-operation with the above-mentioned economic departments,

sent their representatives to the executive committee of the Supreme Council of Economy, managed the local municipal activities, and could make proposals upon all questions to the Supreme Council of Economy."

Varga calls special attention to the fact "that the transformation and reconstruction in Hungary proceeded more energetically and more rapidly than in Russia." This difference is explained by the diversity of the conditions: "In comparison with Russia, Hungary is a tiny country, with a tenth of the inhabitants and, perhaps, a hundredth part of the area. Consequently, there was much that could be centrally organised, which would have to be decentralised in the enormous area of Russia. The slight dimensions of the country, and the circumstance that the dictatorship came to pass without a preliminary revolution and without civil war, made it possible to carry out the transformation at one stroke. The additional circumstances, that the officials and technicians did not practise open sabotage, but from the start readily offered their services, that amongst them were many convinced disciples of Communism, that a well-organised communist party did not exist in the country, contributed to shape the whole organisation on more bureaucratic lines than was the case in Russia."

"Energetic measures" were also taken in connection with the expropriation of the land. By a decree of the 3rd April, 1918, "all large and medium-sized properties, together with the whole

of the live and dead stock, and credits in the bank, were declared to be expropriated. The maximum property exempt from expropriation was fixed at 100 jech (57 hectares). Thus, "several millions of hectares of the whole land of the country, approximately 50 per cent. of the entire area, 35 to 40 per cent. of the arable land, were legally transferred to the possession of the working classes."

This expropriation was completed "without partition, without affecting any properties which belonged to businesses, without any interruption of production."

In most cases the expropriation was effected only in a legal sense, and brought with it "so few social changes, that the country population had no clear knowledge that expropriation had taken place." Where the former landlords remained on the confiscated land, as industrial managers on behalf of the State, no alteration in social relationships took place. The landlord continued to live in the same lordly dwelling-place, to drive the same four-in-hand, and was still addressed by the worker as "your lordship." The whole change consisted in the fact that he could no longer do exactly what he liked with his property, but was obliged to submit to the ordinances of the central department of the industry. The agricultural worker remarked very little of this; for him the social revolution had only meant that he received much higher wages than previously. Only a very small proportion of the agricultural workers grasped the real significance of the Revolution."

In the sphere of distribution drastic steps were also taken. One of the first measures of the Soviet Government was to close all large shops and businesses in the towns, with the exception of provision, paper and book shops, in order to deprive the middle classes of the chance to hoard commodities. The stocks of goods in the large shops were confiscated without compensation.

The small businesses were credited with a sum of money, upon which they were allowed to draw at the rate of 2,000 crowns per month. "To be sure, in spite of the closing of the shops, many goods were traded illicitly. The commercial employees, who were supposed to manage the properties, as the confidential servants of the proletariat, often concealed goods, and engaged in illicit trading. This is a phenomenon, which, in view of the egoistic and avaricious inclinations of the present generation, will repeat itself everywhere." According to Varga, illicit trading could obtain no foothold in the traffic with the products of the expropriated and socialised undertakings. "The nationalised large-scale agricultural industry delivered all its products, corn, cattle, wool, etc., to the Central Departments of Industry and the Offices for Materials. Only a negligible and diminishing fraction of the products of the expropriated industries found its way into the hands of the illicit traders, in consequence of abuses."

A proper organisation of distribution was not carried out in Soviet Hungary, especially as the consumers' societies were too feebly developed to



serve as the machinery for distribution. Recourse was had to the "buying groups," which came into existence during the war, and to which all the workers and officials of a factory, the official staff of a Ministry, all railway workers, all postal employees, etc., had attached themselves, in order to buy collectively the provisions they required. "Artful people were frequently members of several buying groups. Where several earners in a family were engaged in different businesses, each earner was registered as the family head in the group concerned, and thus the family received multiple rations. It was these advantages which provoked among the officials and the workers engaged in the large industries the strongest opposition to the introduction of the departmental system, as this naturally implied the dissolution of the buying groups."

These were the broad outlines of the new economic organisation of Soviet Hungary. The Hungarians had been taught by the experiences of Soviet Russia, and had been advised by the Bolsheviks to organise the machinery in the most rational manner possible. But how did it work?

Let us begin with the problem of the socialisation of industry. The management of the individual business was transferred to the Commissary of Production, who fulfilled the functions of the employer or general manager, and at the same time had to represent the interests of the community. The interests of the workers engaged in the business were represented by the works

committee. Considerable difficulties arose in the selection of the Commissaries of Production, and of businesses. Commercial or technical experts were desirable in these positions. "These were precisely the persons who could not be trusted in a working-class regime." On the other hand, a choice could be made of men belonging to working-class circles. In this case "there was no guarantee that men who were good organisers and agitators against capital were specially suitable as business managers." Moreover, owing to the lack of capable persons, proposals were often solicited from the working classes themselves. "This procedure undermined the authority of the Commissary. The local interests received too much prominence." As an instance of the slightly developed class consciousness of the Hungarian working classes, Varga mentions "that the workers in many businesses submitted to the Commissary of Production the name of the former proprietor for the post of general manager." There were also considerable disadvantages attaching to the institutions of works committees. "The members of the works committees endeavoured to evade productive labour. In the capacity of controllers, they all sat round the office table. This considerably added to the number of non-productive employees. In order to reserve permanently for themselves the pleasant posts, they sought to win the favour of the workers, through concessions in discipline, in the amount of work exacted, and in wages, to the detriment of the general interest."

Varga considered that the "problem of the officials" would be solved only when the officials were composed of convinced socialists. In the most important intellectual functions, anything that was exacted by outside pressure proved to be "almost worthless."

Varga does not, therefore, endorse the Russian system of putting a proletarian controller by the side of each "specialist." If the worker knows sufficient about things, he is to supervise; he can simply replace the middle class expert; but if the workers do not understand anything of the business, as was mostly the case at the beginning of the dictatorship, they simply lead the controlling official by the nose.

In Hungary, too, socialisation led to a decline in the productivity of labour. "First of all, the proletarian Revolution in Hungary brought in its wake a widespread disorganisation of labour discipline, a heavy drop in output. The abolition of piece-work contributed not a little to this result." The result of the general introduction of time payments was that the intensity of labour decreased, and the average output showed a tendency to fall to the level of the output of the worst worker. Yet there were at least departments in every factory which did not exhibit slackness of this kind. The metal workers of many factories returned to piece-work of their own free will. The *élite* of the working class tried in this way to induce the less class-conscious masses to produce a higher output."

In Hungary also considerable difficulties were

presented by the problems of the division of labour and the imposition of general labour discipline. It was desirable that all capable of work should be employed, even if the work were only slightly productive. In view of the general shortage of raw materials and labour appliances, it was not easy to provide opportunities of employment.

Large masses of men could easily have been employed in agriculture, in irrigation works, improvement of the soil, as also in the construction of roads, canals, waterworks, etc. This would, of course, have meant the emigration of the workers from the towns to the country, and this movement would have been considerably hampered by the housing shortage. Moreover, such a transposition of labour power, as for example the transference of workers from luxury trades to mass production or agriculture, carried with it a good deal of friction. "All trade union restrictions must be ruthlessly sacrificed. For whole sections of workers to learn new occupations is a painful process, but it must be carried out if a raising of the general standard of living is to be possible." The question of unemployment pay has also been a thorny one. If it be fixed too high "it affects adversely the results of the whole of production, as the workers are not disposed, on account of the slight difference between wages and unemployment pay, to assume the heavy burdens of labour, all the less so, as the opening confusion gave them the chance of amply compensating this difference by casual work, smuggling of foodstuffs, street trading, etc." On

the other hand, if unemployment pay be fixed too low, the workers will resist with all their might the closing of superfluous and unproductive undertakings, and any concentration of productive forces. The only solution seems to be fairly high unemployment pay, accompanied by severe and systematic control. "In Hungary, the question did not reach the stage of settlement. The supervision was unusually lax. Officials and workers who had nothing to do remained provisionally, mostly with full pay, attached to their undertakings—a condition which had a very demoralising effect." It becomes more and more apparent that socialisation does not imply merely the solution of technical and economic problems, but also the overcoming of strong egoistic impulses and powerful moral opposition.

Even Varga is obliged, on theoretical grounds and in the light of his practical experiences in Hungary, to come to the discouraging conclusion "that during the commencement of the dictatorship, a further lowering of the standard of life of the town proletariat is unavoidable." The reduction in the consumption of the capitalist class in no way raises the consumption of the masses, which fact had already been pointed out by Quesnay and Marx. In case of urgency, workers can be quartered in the homes of the rich, under circumstances of exceptional difficulty. But this step only eases to a very slight extent the proletarian housing shortage. Luxurious clothing, ornaments, servants, horses, hunting dogs, automobiles, yachts,

etc., are useless for the collective consumption of the working classes. For the raising of the standard of its living, the Proletariat needs, in the first place, foodstuffs, then, certain articles of mass production, furniture, clothes, linen, fuel. The expropriation of the means of production, and the confiscation of unearned incomes do not increase by one iota the amount of these goods available for the working class. "The apparatus of capitalist production is constructed for commodities, which, on capitalist assumptions, are 'marketable,' and thus it does not lend itself to a summary transformation in order to produce such goods as are suitable to raise the proletarian standard of life." "A reorganisation of the machinery of production and a transposition of labour power must take place before a sensible increase in the production of these articles can be made possible." The fundamental condition for raising the level of subsistence is, in Varga's opinion, an increase in agricultural production. "Great new industrial works and establishments must be set up for the production of the articles of consumption required in increasing measure by the workers, and this would mean years of work. The process of reconstruction may, indeed, be taken in hand immediately, but success will be attained, in most cases, only after the lapse of years." All this involves time and costs enormous labours, not only of a productive kind, but also a moral effort on the part of the workers themselves. Above all, it pre-supposes the absence of internal and external disturbances.

What was the position with regard to the production of foodstuffs? Was it possible at all for the urban proletariat to increase its consumption of foodstuffs?

As we have seen, the large properties were expropriated, but, nevertheless, in order not to jeopardise the continuous production of goods, they remained everywhere under the management of their former owners. The Soviet Government was not influenced merely by the consideration of the regular continuance of the business, but also by the fact of the "backwardness of the agricultural workers. Had we simply declared the large estates to be State property, the wages differences of the workers would have been boundless, and the intensity of labour reduced to a minimum." The unbridled egoism of the land workers would, therefore, have rendered the supply of food to the towns simply impossible. Of course, this crass egoism of the land worker could also be plausibly explained and excused on economic grounds, as Varga shows in another part of his book. Under the capitalistic system, the provisioning of the towns and the export of foodstuffs was possible only "because the consumption of the country yokels, the millions of illiterate workers, was extraordinarily low." The annual earnings of the agricultural worker in 1913 did not amount to more than 400 crowns—how much did this permit him to consume?

The standard of life of the small independent farmers was also a very poor one. However, the

war made a great alteration in this respect. The products of agriculture fetched a higher price, but after the farmers had absorbed sufficient paper money, they began to curtail the quantity of their products available for sale, and to increase their own consumption.

The raising of the farmers' standard of life affected the general interests of the community in an adverse manner; the farmer worked little, produced little, and exchanged his surplus of foodstuffs only for actual goods. The wages of the land workers also increased rapidly, especially after the Revolution. "And this increase in wages was a real one, for the wages were not paid in money of a diminishing value, but in actual goods." The quantity of goods which were received in the shape of wages, such as corn, bacon, and milk, was doubled. "Those who benefited by the Karolny Revolution and the dictatorship of the Proletariat were the agricultural workers and the poor in the villages, whose standard of life, and, above all, whose subsistence, underwent an improvement which was never expected."

This decline in the production of agriculture, accompanied by an increase in the consumption of those engaged in agriculture, must have proved fatal to the urban Proletariat, if help had not been forthcoming from another quarter. The Supreme Council of Economy sought to find a way out of the difficulty by accelerating the production of the expropriated large-scale industries. Raw materials



and means of production such as coal, benzine, artificial manure, machines, ploughs, implements of all kinds were placed at their disposal, on the basis of a comprehensive scheme of organisation.

Roads were constructed across many large estates. It was proposed to transform large estates, in the neighbourhood of towns, into a girdle of intensively cultivated market gardens and holdings. Milch cows were concentrated in large numbers in the neighbourhood of railway stations, in order to be able to supply milk to the towns. Unemployed and displaced urban workers were to be settled on the expropriated properties, in order to augment the labour output and raise the intellectual level of the land worker. In short, all that was humanly possible was done, in order, at least, to guarantee the food supply of the town population, and to break the monopoly of the peasants. Yet even here, opposition arose. "The most formidable opponents to the carrying out of this scheme were the short-sighted leaders of the land workers' trade unions, who, hostile to the dictatorship, and persevering in their reactionary outlook, encouraged the land workers to make such excessive demands that to comply with them would secure the gross product of agriculture to the agricultural workers, and leave nothing for the town population."

A primitive form of barter was resorted to in Hungary, in order to procure general foodstuffs from the country. Trainloads of industrial

products—scythes, spades, textile goods, salt, petroleum, were despatched to the country, in order to exchange them for butter, bacon and eggs. But the result was discouraging. The well-to-do farmers found the proffered articles much too dear. The small peasants and day labourers were indignant because the preference was given to those who were best situated and who had something to exchange. Why were the industrial products not sold to the small farmers for money? Because the State did not dispose of sufficient goods to be able to satisfy the needs of all, but only just sufficient to enable them to receive in exchange the most essential foodstuffs. Thus, the Government was obliged to pay the farmers an equivalent value in industrial wares for the produce they required from them. Otherwise, the peasant declined to do business. "We are obliged to acknowledge that there is no section of society which can more readily dispense with the use of the products of other undertakings than the peasant. If he finds petroleum too dear, he reverts to oil lamps. If textile goods are too highly priced, he spins and weaves his own clothing material. If machines seem to him too dear, he sows with his hands, threshes with a flail and turns the soil with a spade. He reverts to the primitive economic methods of the past, and discontinues the purchase of urban products. Then, of course, he does not supply any more foodstuffs to the town. Nothing is obtained by the policy of requisitions. Only the harvest of one year can actually be

requisitioned. In the succeeding year, the peasant who has suffered this treatment will curtail production; instead of the easily-to-be-seized corn, he will sow other plants which mature at different times. Then he will conceal the harvest, bury it, use it as provender. The permanent provisioning of the towns on this basis is impossible."

The agrarian and subsistence problem is, therefore, considered by Varga to be a very difficult one. It is to be solved only by arousing among the land workers and small peasants a consciousness of class solidarity with the urban Proletariat. This is, at least, as difficult a task as to awaken class consciousness among the industrial Proletariat, but yet it must "be achieved within the shortest time if the dictatorship of the Proletariat is not to collapse." Varga himself admits that the transformation of the ideology of the countryside requires time, and is impossible without gaining the support of the teachers.

The turn taken by agrarian conditions embarrassed exceedingly the feeding of the town population. There was a great shortage of eggs, butter and vegetables. Moreover, "every attempt to regulate in an orderly manner the enormously increased traffic in the peddling of supplies failed." The sole method of coping with this evil would have been the complete stoppage of personal transport by road; but this forcible measure could not be adopted because, in the absence of the peddling traffic, the privation would have at once become absolutely unbearable.

All this economic confusion and paralysis was rendered more acute by the depreciation of paper money. Hungary had not been able to replace its currency upon an independent basis after the dissolution of the Habsburg Empire: the notes of the Austro-Hungarian Bank in Vienna still served in Hungary, as in the other seceding States. After the proclamation of the Hungarian Soviet Dictatorship, the Note Bank of Vienna refused any further credit. Hungary was obliged to print its own notes. In Budapest only 200 crown notes, and 120 crown notes could be printed—the so-called “white money” which was printed only on one side. From the beginning the peasants raised the greatest opposition to accepting this money, but later it completely lost its currency in the country. “A well-known phenomenon in the history of money repeated itself, the bad money supplanted the good. The blue notes were hoarded, and everybody tried to get rid of the white money.” Finally, the Government gave legal currency to both kinds of notes, the blue and the white, and threatened severe punishment to all who refused to accept a completely new issue of notes. But the peasants did not part with their blue money, and did not take the new currency, “and the State did not dispose of sufficient power to compel them to do so.”

The rapid collapse of the Hungarian Soviet rule was apparently the result of the military collapse. But this external defeat was to a very large extent to be traced to the chaotic conditions into which

the Bolshevik experiment had plunged Hungary. The enthusiasm for national Bolshevism and Communism was quickly dissipated, even in the working class circles; "instead of revolutionary élan a sobering disillusionment set in." An economic revolution is not a chess problem, whose moves can be easily calculated. The classes are not made up of pawns which can be moved here and there, but of individuals, with needs, passions, weaknesses, prejudices, in short, with a self-willed and refractory temperament, which does not lend itself to compression within a revolutionary mould. Soviet Hungary has learned this, and Soviet Russia will no less be forced to recognise this sociological fact.

CHAPTER V.

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THE SOCIALISATION PROBLEM AFTER THE  
NOVEMBER REVOLUTION.

WHEN, in November, 1918, political power fell into the hands of the proletariat, the idea of socialisation came to the front. Not as a plan for escaping the economic dissolution, but as the consequence of the economic and political power which the collapse had brought to the working classes, without a struggle.

"After the first onset, after declarations of principle, and the appointment of a Socialisation Commission, nothing has eventually happened. The wild strikes, and the unrest in the workshops, were put down by temporary expedients and soothing words. When the tide of the Labour movement rose threateningly, placards announced 'socialism is here.' When the tide ebbed, one would hear in official and semi-official circles that the time was not ripe for socialisation, that losses could not be socialised, as if the essence of socialisation were the confiscation and not the nationalisation of industry."

In these words the Heidelberg University Professor Lederer described the course of the socialisation campaign since the November Revolution, in a book which appeared in 1920.\*

The bitter disillusionment which his sentences betray is characteristic of those socialists who, as theoreticians and economists, survey political and economic development from an observation point far removed from the plane of daily events, whereas the practical politicians who are in the thick of the struggle, and who are laboriously advancing forward, are mostly, even to this day, still without a suspicion that tremendous opportunities were missed during the past year.

The contrast between theory, which is always pointing to the goal and impatiently pushing forward, and practice, which beats a path though a thousand obstacles, and, in the effort of groping along, constantly loses sight of the goal, came into prominence immediately after the November collapse. Not only the adherents to the socialist left, not only the Spartacus wing of the Proletarian movement, the Liebknechts and Rosa Luxembourgs, expected that the political transformation would be accompanied by the rapid adoption of decisive socialist measures, but also many socialists who otherwise did not take up an extreme attitude, and would have nothing to do with the Russian methods. On the 24th November, 1918, *Vorwaerts* published the provisions of a socialisation emergency law, which had been drafted by

\* Dr. Emil Lederer : *Deutschlands Wiederaufbau*, etc.

Professor Robert Wilbrandt and commenced with the following clauses :—

(1) The whole of the means of production (all the technical conditions for producing, in the widest sense, from the mining and preparation of raw material to transport and distribution, thus, for example, property inland and shopping establishments) are declared to be national property.

(2) Pending the meeting of the National Assembly, which will legislate in greater detail, the order is issued, by way of an emergency instruction, to set the process immediately in motion.

(3) The transference to the State, alike for all kinds of wealth, takes place at a graduated rate rising with increasing capital up to one-half (on the average a third) of all land, share capital and business partnerships. In the case of limited companies a corresponding part of the net profits goes to the State for the payment of its debt charges, for debt reduction and later for social purposes, such as education, training, and relief work.

(4) As regards the remainder, the existing population are assured that confiscation is not imminent, but, instead, a gradual dissolving of those constituent parts of property which signify the possession of the means of production.

And, again, it was *Vorwaerts*, the central organ of the Social Democratic Party, which issued, on the 2nd February, 1919, as a special supplement, Kautsky's "Suggestions for a programme of Socialist Action," with the comment that nothing would be found in these suggestions which a Social Democrat could reject on principle. In that part of the suggestions which was devoted to socialisation,



paragraphs 6, 7, and 10 read as follows:—

“As soon as peace is concluded, and it is ascertained to what extent the German people can dispose of its State and Imperial property, nothing will stand in the way of declaring forthwith that all large properties in mines, forests and large estates (about over 100 hectares) as well as all landed urban properties (excluding the houses erected thereon) to be the property of the State, in consideration of compensation to be determined. Revenues from land, originating from the feudal period, *e.g.* mining royalties and landed possessions generally deriving from feudal times, such as most fiefs and princely domains, which have not been acquired by way of purchase, do not require to be compensated.

“The undertakings erected on the urban lands will remain for the time being private businesses, leased from the State. They would be socialised gradually. Forests would be socialised forthwith. So far as possible, whole branches of industry, and not isolated undertakings, should be socialised.

“In accordance with the demand contained in the scheme for socialisation, put forward by the Austrian Socialists, each of such branches of industry shall be administered by a committee, of which one-third of the members shall be representatives of the State. The second third will be the representatives of the workers in this branch of industry, and the last third will be the representatives of those who use the products of the industry.”

The opinions of the socialist masses were reflected in the resolutions of the first congress of the Workers' and Soldiers' Councils, which was held on the 20th December, 1918, and at which it was urged "that a beginning be made forthwith with the socialisation of the industries which were adapted for this change, in particular the mining industry." In this connection, it should be noted that this congress was in no way dominated by the Left Wing, and for the rest it adopted an attitude that so little pleased the Radical group of Ledebour, Daumig and Richard Müller, that the latter declined to send representatives of the Independent Social Democrats to the central committee of the Soldiers' and Workers' Councils, although they were assured by the Social Democratic Party that they would have an equal representation on this committee.

The Independent Social Democracy urged that a systematic policy of socialisation should immediately be carried out. Thus the *Freiheit* wrote on the 19th November, 1918: "The Government must state what reforms it proposes to carry out at once. There are a number of things which do not need to be discussed, and which could be decreed immediately. The most important of them is the introduction of socialisation. This can admit of no postponement. The war economy has brought into existence a series of organised institutions, which need only to be slightly altered in order to provide a useful basis for nationalisation. Prompt action is necessary in the interests

of the community. Among experts no doubts exist regarding the possibility of transferring the great industrial monopolies into national properties." Two days later, the official *Deutsche Allgemeine Zeitung* stated that the Socialisation Commission which had been appointed by the People's Commissaries "to make a report as quickly as possible" would commence its activities within the next few days. The same journal published on the 11th December, 1919, the "programme of work" of the Commission. According to this, the socialisation of the means of production was conceived as a scheme of organisation which would require time for putting into practice. For the present, there would be no interference with the export industry, foreign trade, and the supply of foodstuffs. "On the other hand, the Commission is of the opinion that socialisation should be applied, in the first place, to those spheres of national economy in which conditions of capitalist monopoly have developed. In particular, the community must assume absolute control over the most important raw materials, such as coal and iron."

It was just those personalities in the Social Democratic Party who occupied leading positions in the political and trade union world, who were disposed to take a very sceptical view of the socialisation possibilities. Thus, at a meeting in Dusseldorf, according to a newspaper report of the 8th December, 1918, the following statement was made by Otto Hué, who, as a veteran miners' leader, had been appointed to the Socialisation

Commission. "There are no differences of opinion as regards the necessity of socialising the mines and associated industries, so as to deprive capitalism of its strongest support. But to-day, the question arises as to whether the time is ripe for the socialisation of our extraordinarily complicated industry, which in our opinion, has become necessary. Our old master, Marx, envisaged the transference to the community only in a time of surfeit of the means of production. This period is not the present. The socialisation of such powerfully developed undertakings as the mines and iron and steel industries cannot be carried out according to the dictates of a minority, but only at the right time and for the benefit of the community." Ebert and the Prussian Agricultural Minister Otto Braun also uttered warnings against "experiments." According to a report of the *Berliner Tageblatt*, Braun declared on the 1st December, 1918: "For socialisation generally no time could be more unfortunate than the present. Germany is starving, raw materials are lacking, machines are defective. Any upheaval may discredit Socialism for years."

These warnings against precipitate socialisation, which we also meet in the speeches and interviews of Kurt Eisner, Hilferding, and the Independent Finance Minister Simon, are to be explained by the boundless confusion which had spread throughout the country with the military collapse and the rising of the proletarian masses.

Military dictatorship and the authoritarian state

had disappeared over night. The country would have been filled with chaos, without the strong political and trade union organisations of the working class, which restrained the emancipated soldiers and masses of workers, and prevented adventurers and desperadoes from exploiting popular passions according to Bolshevik prescriptions. Germany would undoubtedly have experienced "wild socialisation" to a devastating degree, if, during the first critical period the workers' councils in the factories had not been under the strong influence of the trade unions. Also the fact that the whole machinery of State and municipal administration was not smashed was due to the organised discipline which was exercised by the political and economic associations of the Proletariat. In spite of this, conditions were bad enough during the first weeks and months.

That the transport and the demobilisation of the troops, and the transfer of political power to the representatives of the socialist parties had been accomplished with such relative ease that the entire revolution bore a character of "moderation," indeed, spared Germany a catastrophe; but, on the other hand, led to the most malign developments. As the officers, officials and capitalists, observed that they were in no danger, and that the Socialist Government had some regard for them, and may even have felt dependent on their good will, they lapsed frequently into insolence and obstruction. They could not accommodate themselves to the reversal of things, to the new democracy,

and to the decisive influence of the working class and Socialism. Almost from the first days, the reactionary plottings of the officer caste, of the great industry, of junkerdom, began—in a word, the challenge of counter revolution. It was accompanied by a fresh outbreak of the fanatical, unbridled, blindly furious and reckless agitation of those Left socialist elements, which desired, after the Russian example, to sweep away democracy and parliamentary action as obsolete lumber, to set up a Soviet Dictatorship, and to proceed without plan and preparation, to “complete socialisation.”

It was, however, a misfortune for the working class, that its principal champions in this struggle against the Right and the Left did not stand together with closed ranks, but, owing to old and bitter internecine quarrels confronted each other in this sufficiently difficult situation, full of mistrust and enmity.

A strong united section representing democratic and Marxian Socialism could have conducted the campaign for democracy and socialisation with calm energy, in spite of the furious attacks from the Right and the Left. Divided Social Democracy, one section violently struggling with the other, was obliged to deviate from its path, and to expose itself to the temptations of a policy of coalition and concessions. Thus the Independents fell into the orbit of the Spartacists and Communists, while the Social Democrats, freed from the restraint of their former Left wing, fell more and more under

the influence of the middle-class parties and middle-class ideology, to the detriment of the democratic development of the Republic and certainly not to the advantage of socialisation.

It is well known how soon the antagonism between the Spartacist-Communist group and the successive governments developed into bloody civil war, which plunged the whole country into wild convulsions for months. These revolutionary commotions, indeed, forced certain concessions from the Government, such as the Socialisation Law and the Works Councils Law. As, however, the socialist Left wing came out of these trials of strength weaker and capitalism came out stronger, the promised socialisation of land and key industries receded more and more into the distance.

But it was not only the raging civil war which seemed to render an early socialisation impossible for many socialists, especially the political and trade union leaders of Right wing Socialism, but also the reckless struggle for shortening the working day and raising wages, which broke out in the businesses and industries. In the moral sense these demands of the Proletariat were only too justified. During the war, agriculture and industry had considerably enriched themselves at the expense of the community, and by means of an unscrupulous exploitation of the proletarian masses.

What could seem more urgent to the workers, now that the political power had fallen to them with such astonishing suddenness, than to use this power for raising their standard of life? But the

military collapse had, in fact, altered the whole position. The whole apparatus of war signified the most foolhardy exhaustion of German national economy. This swindling machine fell to pieces when the hope of rich spoils of victory faded away. What remained was a country denuded of all raw materials, with shattered railways, worn-out machines, neglected coal mines, decimated cattle, and a starving population, demoralised by the bestialities of war and the practices of war profiteering. It is only too comprehensible that the admonitions of the Right socialists that Socialism meant work, could no more prevent the strikes and wage struggles than the warnings of Hilferding and Barth not to allow the Revolution to degenerate into a wage movement. Professor Lederer disposes of the hypocritical cries of indignation over the licentiousness of the workers in the following excellent reminder : " In a country in which, since the outbreak of war, all sense of reality has been banished by every kind of unscrupulous agitation and demagogic propaganda, the sudden collapse of all authority has given a boundless impetus to the fantastic appetites of the masses. We were constantly assured during the war that every war loan represents newly created real value, all paper money rests on the secure foundation of the whole property of the nation. War work is productive work. Why should it be thought that when power passed to the working classes the masses would be immediately seized with the conviction that only immediate and forced work could save us, that



economically we stood on the edge of a precipice, in spite of the millions of profits made by businesses, in spite of increasing dividends and augmenting reserves? Indeed, it was too much to expect." But, however understandable the attitude of the workers was, the rapidly succeeding wage demands of the workers, the watchword of a seven, even six hours day, the loosening of labour discipline, and the lowering of the productivity of labour were phenomena, which, in conjunction with all the other difficulties of production, caused the political and trade union leaders to feel that a rapid socialisation would be too great a hazard. It was feared that social experiments would seriously dislocate production, provoke a food crisis, and thus plunge the country into hunger, disorder and the worst kind of civil war. Thus the conviction gained ground that first of all Capitalism must be allowed a breathing space. First, it must recover, and put production and all the functions of national economy again into proper working order. Later on, under orderly conditions and a favourable state of production, socialisation could be considered all the more seriously.

From the standpoint of psychology, it is easy to understand how this conviction took hold of those socialists, who, as ministers, administrative officials, and trade union leaders had to grapple daily with the confusion, dislocation, lack of discipline, and with the political and economic chaos. It is only too natural that they should shake their heads over the "impracticability" of the theoreticians

who constructed at their writing desks the most ideal socialisation structures. Such structures may have a splendid appearance when set up *in vacuo*, but the effect was quite different in the world of hard facts, where one built upon unstable foundations with the most unsuitable materials. One obligation only lay on reasonable and conscientious politicians and trade unionists, viz., to reconstruct the devastated national economy and thereby secure the conditions of existence of the people. When once normal conditions have returned, the Proletariat, having, meanwhile, by increased trade union activities and the organisation of works councils, made itself really adequate to its tasks, can resume the struggle for socialisation with a higher degree of confidence and with incomparably greater chances of success.

However much these practical men in daily politics and trade union activities were superior to the theoreticians in being able to realise the immediate difficulties of socialisation, nevertheless they lacked the historical and economic perspective, which can only be attained by maintaining a certain detachment from actualities. On the other hand, the theoreticians possessed this advantage over the practical men, not only because they were spared the thousand vexations and embarrassments of a government or trade union office, which, in these stormy times of ten-fold labour, hardly leaves the officials who discharge these functions time to take breath, let alone the opportunity of getting a clear view of things as a

whole ; but also because most of them had from the outset a much deeper insight into historical and economic processes. This is the only explanation of the astonishing fact that University teachers like Wilbrandt, Ballod, Neurath and Lederer adopted a much more revolutionary attitude in socialisation policy than old Social Democrats, who had been nominated by their party to the highest government posts, and old trade union leaders, who had behind them a generation of tenacious struggles with capitalism. Against the conceptions of the practical Social Democrats, the professors and the theoreticians raised, above all, this objection : You desire, in the interests of economic recovery and social reconstruction, to refrain from a decisive attack upon capitalist industry and from embarking upon socialist experiments. In this you overlook that it is precisely by preserving capitalist methods of economy that you would completely exclude a real economic recovery and a social pacification of the masses. The devastations of the world war have thrown so totally out of gear both the world economic system and the economic systems of individual states that their continuation in the old style is impossible ; for it would involve suffering and privations for the working class, to which a class-conscious proletariat in these revolutionary times would find it impossible to submit. The only rational way out of the impossible and unbearable situation is, therefore, the socialisation of production, the systematic transformation of the

anarchy of commodity production into an intelligently organised system of production for use, making the utmost use of all technical aids and appliances.

It was not the University professors alone, who only openly avowed Socialism after the Revolution, who declared that in this period of economic dislocation, socialisation was the only possible means of overcoming economic crisis and poverty, but also the eminent exponent of Marxism, Otto Bauer, who wrote: "The victory of democracy in Central Europe is the result of the war, the consequence of the defeat of the Central Powers. The war has destroyed the military power of both the military monarchies; it has deprived the authoritarian state of its means of coercion, and thus enabled Democracy to triumph. But the same war has also brought about immense economic revolutions; and these revolutions make Socialism an inescapable necessity. For  $4\frac{1}{2}$  years, the peoples have not built houses, but dug trenches, have manufactured no machines, but produced grenades and shrapnel, have not tilled the soil but served cannons. Our soil is deprived of potash, our machinery is worn out, our railways are neglected, our clothing and linen have become rags; the whole wealth of society is destroyed. The war has made the people poor, unspeakably poor. We shall be poor, inconceivably poor. In such poverty, can we still afford the luxury of allowing fat prelates and arrogant nobles, ostentatious war profiteers and idle 'rentiers' to levy tribute on

the proceeds of our labour? Can a people that has become so poor tolerate so unequal a division of the scanty produce of its labour? We are too poor any longer to be able to share the products of our labour with capitalists and ground landlords. It is bad enough that we shall be obliged to pay tribute to foreign capitalists in the form of war reparations; we cannot, in addition, be liable for the payment of tribute to capitalists at home. There is only one way out of our economic quandary—Socialism. The war which has led Democracy to victory has also forced us on the road which leads to Socialism.”\*

That Kautsky's opinions coincide with those of Bauer is sufficiently proved by the quotation we have already given from his writings.

Rudolf Goldscheid takes exception in a vigorous manner to the opinion that capitalism must be allowed to rescue war-shattered Europe from poverty, before any socialisation measures can be ventured upon. He writes as follows in his book *Socialisierung der Wirtschaft oder Staatsbankrott*:

“At a time when the most extreme shortage compels each and all of us to practise more economy in regard to what is available than ever before, are we to trust again the individualistic system of production, which failed so signally in times of the greatest abundance?

“For years we have agitated for the socialisation of the means of production; collective economy was the watchword which gave us the strength to

\* *Der Weg zum Sozialismus.*

bear the most brutal persecutions, and now that the longed-for day has come, when power has at last fallen to us, wonder of wonders, the familiar jeers of the famous experts are sufficient for the 'native hue of resolution' to become 'sicklied o'er with the pale cast of thought.' When we vigorously demand the realisation of our programme which we have always championed so resolutely, all that need be said to us is: "How do you think this can be worked?—it all sounds too difficult—and we feel a-trembling, and allow the courageous persistence which we shewed in the severest struggles to degenerate into lamb-like patience. What an objection! How do you think this can be worked? This is altogether too difficult! Yes, the war was a piece of child's play. And yet we waged it for four years, and continued it with fanatical zeal, until we collapsed of exhaustion. When it was a case of preparing a war, why did not the superior experts say such a thing cannot be thought of; it is far too difficult. And when an engineer plans the construction of a road, which involves the settlement of numerous problems of the most intricate nature, does anybody try to put him off with the stupid question: "How do you think this is going to work? This scheme will involve numerous separate operations, and many detailed plans, and an army of officials and workers." Not at all. It is only when it is a question of a creative policy in sociology that these ridiculous phrases are put forward, and it is sufficient to say that the times are far too serious for experiments,

to brand as dreamers all those who, just because the situation is serious, demand the display of social audacity."

In the first months of the Republic even outspoken middle-class economists were convinced that socialisation would and could be applied in various important spheres. A typical case is the following statement of Professor Karl Bucher: "I have devoted many years of my life to the investigation of past stages of society. I have endeavoured to find order in society, and to envisage what the future form of society should be. I must confess that my conclusion is that the economic world ought to be re-organised in accordance with the ideas of the best of the socialists." He does not consider that a socialist society can be brought about at one stroke by imposing regulations from above, but he shares the opinion of Hilferding that those branches of industry which have been most successfully organised into cartels are ripe for socialisation. "Mining includes the production both of coal and of iron, and for many years past the state of this branch of industry has urgently required its liberation from the profit-making influence and its assumption by the community as a whole. . . . Socialisation could be applied immediately to the coal and other mines. . . . If the Revolution introduces the policy of socialisation into this sphere, it can be certain of the support of all far-seeing economists.

"But I go one step further. I include the forests which cover our country among the

treasures of the soil, and consider it to be a violation of historical right as well as a crime against the common weal that 47 per cent. of the forests in the German Empire are to-day private property. . . . Consequently, the following might be described as being ripe for socialisation :—(1) All industry, so far as it is organised in cartels, or conducted by joint stock companies ; (2) the mines ; (3) privately-owned forests. The old State, by its legislation, partly prepared the way for the socialisation of all these branches of economy. The Social Democracy can reap the harvest which the State has brought to ripeness."

Bucher considers that the socialisation of the large landed estates ought to be a matter of course.

"As regards this step general agreement prevails, even in the circles of bourgeois democracy. It is a matter for endless surprise that the idea of the nationalisation of the land, as advocated by Henry George and others, did not immediately find general support. It would have involved the complete abolition of individual ownership of land." Further, "There will be little opposition if the Berlin Councils' Conference decides that insurance business and mortgage banks are ripe for nationalisation. Such personal services as theatres, cinemas, hotels, sanatoria, will easily lend themselves to nationalisation or municipalisation."

These quotations will serve to show what a range of social activities even such economists as had grown grey in the service of orthodox scientific



pursuits were prepared to entrust to the victorious Socialist movement. And yet, after all this bustle, as Lederer says, nothing has happened. This would be a cause for infinite astonishment, if one did not realise with what unexampled division of strength, with what senseless disorganisation of all material and intellectual forces, the struggle for socialisation has hitherto been conducted.

## CHAPTER VI

THE ECONOMIC SCHEME OF WISELL AND  
MÖLLENDORFF.

At the last conference of the Social Democratic Party, which was held at Kassel in October, 1920, a lively dispute arose between the former Imperial Minister of Economy, Wissell, and his former Ministerial colleagues, Robert Schmidt and Gustav Bauer, over the question of an "economic scheme," or "socialisation." We are entitled to doubt whether any fundamental difference exists between socialisation and an economic scheme, as the essence of all socialisation is the systematic organisation of economy. Consequently, the difference of opinion can only relate to the manner in which the national economy should be organised, and the nature of the authorities who are to be entrusted with such organisation. But the whole discussion of the theme of socialisation has hitherto clustered around such vague generalities, both within the ranks of the Social-Democratic Party and in the circles of German Socialism, that a

concrete formulation of the elements of the problem has never been achieved.

The trade union official, Rudolf Wissell, who was entrusted by the Social Democratic Party, in February, 1919, with the post of Imperial Minister of Economy, signified in his first speeches and official actions that he was resolved to take seriously the view expressed by Ebert in December, 1918, that "Socialism means the systematic ordering of economy by the community in the interests of all its members." His intentions were reflected in the choice of his closest colleague, Richard Möllendorff, who was at first his Under Secretary of State, in common with Walther Rathenau, who had been the organiser of the war industries.

On the 5th March, 1919, Wissell developed his ideas in a report to the Committee for Public Economy of the National Assembly. The economic life of Germany had collapsed when its support, the war organisation, had fallen to pieces. "The heap of ruins was never greater than in this period between war and peace. The first task is to clear them away, and to lay the foundation stone of the new structure." After the collapse of the old system, the demand for a new economic order, for socialisation, took hold of the masses.

"To hope that it would be possible to divert these tendencies back into the channels of the previous social system was to shut the eyes to facts." It was necessary to guide these elementary ideas towards the path of peaceful development.

National economy must be re-shaped on evolutionary lines instead of by revolutionary methods. The "free play of forces" and "private initiative" cannot have unlimited scope in future. There must also be a departure from the methods of war economy.

"The methods of the so-called War Socialism were based upon the vital defect of organising society from above, by means of bureaucrats, instead of from the bottom upwards."

A systematic organisation was necessary, which would build from the bottom to the top. This was to be made possible by means of "a co-ordination of the various elements of the economic system into self-governing organisations, which would comprise all the great groups of production." Not only would the separate branches of each group be combined, but the various members of these branches would be co-ordinated.

For some time Wissell was left alone. As soon, however, as his project of a thoroughly systematic organisation of economy reached the stage of legislative proposals, he came up against the sharpest opposition, on the part of the capitalists, and of the middle-class parties which they controlled, because, indifferent to the general welfare, they aimed at restoring the old, unfettered system of capitalist economy; on the part of his socialist colleagues in the Ministry and the party majority, because they regarded Wissell's path to Socialism as the wrong one, and, perhaps, also because this boldly-conceived plan made them feel dizzy. Thus

Wissell felt obliged to seek refuge in publicity. In a pamphlet, dated the 7th May, 1919, he asserted that the aimless policy of the Cabinet, which was losing day by day a portion of its confidence in the population, was bound to lead to disaster. The Ministry of Imperial Economy had vainly called attention to defects in the organisation of authority; economic policy was divided haphazard among the Ministry of Imperial Economy, the Ministry for Foreign Affairs, the Treasury, the Ministry of Labour, and the Imperial Ministry of Food. "In this state of affairs a uniform economic policy is quite impossible. All this is not merely a question of the demarcation of functions. Behind the functions are fundamental differences in the economic conceptions of the various departments and their chiefs."

A comprehensive programme is needed to remedy the chaos in economic policy. The strictest economy in consumption and the greatest possible increase of productivity are necessary, in order to overcome the immense economic difficulties, the lack of raw material, the paralysis of communications, and the disinclination to work, etc. These improvements can only be effected by the putting into practice of that programme of organisation which has been proposed by the Imperial Ministry of Economy. The chief features of this programme are as follows :—

Production is to be systematically conducted by self-governing organisations, which are to be established for individual economic groups, such

as agriculture, chemical industry, iron industry, paper industry, etc. These economic groups are to be managed by representatives of the workers and of the employers, as well as by representatives of trade and of the consumers. The workers' and employers' representatives, who are to have equal rights, shall be chosen by the trade unions and employers' associations.

Within the economic groups the individual branches of industry are to be formed into legal and economic entities, which are to be managed in common by the representatives of the workers and of the employers, of commerce and of the consumers.

The functions of the economic groups will consist of regulating the production of raw material and distributing it amongst the economic unions attached to them, in which process account is to be taken of the urgency of the demand, and the effect upon foreign indebtedness.

Imports and exports are to be regulated by special departments for foreign trade to be attached to the economic groups. Every effort will be made to reduce prices by improvements in the labour process, especially by the standardisation of production. In marketing the goods, care will be taken to eliminate unnecessary middlemen, and to encourage the factors in distribution which are socially useful. The economic groups will further aim at smoothing down the social antagonisms in the labour process, by the fixing of rates, and the establishing of proper working

conditions, by promoting scientific technical research and technical instruction, and co-operating in the lightening of public burdens.

The task of the economic technical unions will be to promote activity within the sphere of operations of the economic group, especially the creation and handling of raw material. They will strive to fix prices on a sound basis, and generally raise the efficiency of the undertaking.

By the side of these self-governing bodies, which are united by technical ties, the Imperial Ministry of Economy will set up self-governing bodies united by local interests. These are to consist of a system of workers' and employers' councils, graded into factory councils, district workers' and employers' councils, district economic councils (composed of equal numbers of district workers' and employers' councils) and finally a National Workers' Council and a National Employers' Council.

The constituent members of this organisation will be entrusted with the following duties :—

The Workers' Factory Councils are to look after the economic and socio-political interests of the workers, and place their knowledge and experience at the service of the business.

The District Workers' Councils are to supervise the Workers' Factory Councils, and settle any disputes among them. It will be their business to attend to the interests of the workers in their district, and to submit opinions and proposals to the authorities in support of these interests. In the

event of the danger of a strike, they are to make arrangements for an orderly procedure, especially the taking of a vote.

The District Councils of Employers will watch the economic and socio-political interests of the employers, and submit information and reports to the authorities in furtherance of these interests.

The District Economic Council will arrange for investigating and collecting statistics regarding the economic position of the district, especially the state of wages and labour, the condition of housing and health, and the standard of life. It will also co-operate in regulating wages and labour conditions. It will preserve industrial peace and promote the common industrial and economic interests of the workers and the employers. It will have the power to propose legislative measures relating to economic and socio-political subjects, and to endorse any legislative proposals referred to it for its opinion. Finally, it will promote the communal welfare within the district, initiate improvements in the efficiency of industry, and aid in the settlement of transport questions and any other tasks referred to it by the legislature.

The National Council of Labour and the National Council of Employers will maintain supervision over the District Councils, and will render support to the authorities by means of proposals and opinions in the same way as the District Economic Councils.

Both kinds of organisations, the technical and the local, are then to be linked up to a National



Economic Council, which will be formed of representatives of the economic groups on the one hand, and the National Workers' Councils and the National Employers' Councils, on the other. In addition, the Imperial Economic Council will include members drawn from the ranks of consumers, of commerce, and of science, who will be appointed by the Imperial Government, on the nomination of the interest concerned.

The National Economic Council will undertake the supreme direction of economy, in co-operation with the most important vocational organs in the Empire. It will have the right to initiate economic and socio-political projects of legislation, which will be considered by the Imperial Government. Laws which may originate elsewhere will also be submitted to the Council for its approval.

The special tasks of the National Council of Economy will consist in promoting the common welfare, preserving social peace and increasing the total production of the Empire.

This projected scheme for the organisation of the national economy found support in no quarter, neither among the middle classes, nor among the socialists, nor even among Wissell's party friends and ministerial colleagues. Hilferding expressed the opinion of the Independents when he said: "The only common feature of Wissell's 'concise economic plan' and Socialism is that both profess to be systematic. There is no trace of Socialism in it, and the whole proposal is based on maintaining the capitalist rights of the employer. In this

plan, I do not perceive any approach to Socialism, but a variation of the doctrine of harmony between capital and labour, and a means of easing the difficulties of Capitalism."

A pamphlet issued by the Executive Committee of the Social Democratic Party criticised Wissell's scheme just as sharply. The Coalition Government was obliged to aim at two things, the socialisation of such industries as were ready for it, especially the mines, and the electricity, potash, and nitrogen industries; and the avoidance of an economic policy which might create new obstacles for the systematic carrying out of complete socialisation in the future. "Therefore, we reject the so-called concise economic plan, which is so attractively decked out in a socialist dress, but which is in reality nothing more than a perpetuation of Capitalism." Will the economic plan do away with the employer? Not at all. The branches of industry are to be formed into unions, in which employers, workers and consumers will sit together. What does this mean? First, the sacrifice of the poor consumers, secondly the sacrifice of the whole people to the price manoeuvres of the employers and workers in the separate branches of industry, "who only too readily combine when the public is left for them to exploit." What has happened previously in the coal and potash industries? "The employers promised increases in wages, and to cover such advances expected that the labour organisations would support the raising of the prices of coal and potash. And who paid this tax?

The whole population, and, of course, the workers in particular, who represent the immense majority of the consumers."

"Thirdly, and lastly, this compulsory socialisation of separate branches of industry means not merely the perpetuation of, but a considerable increase in, the power of the employer."

By means of the economic scheme every incompetent employer would be protected against any loss. "The employers as pensioners of the Republic. This is the caricature to which the economic scheme leads." Away, then, with these "self-governing organs" organised under the protection of a bureaucracy interested in profits, who desire only to perpetuate the war economy, with its fabulous profits, its corruption, and its intrigues. What is it that Social Democrats advocate? "Above all, Socialisation, so far as it is possible to-day, Therefore, the abolition of employers, and the transference of the means of production into the possession of the community. . . . We desire Socialism, and not a debased substitute for it. Our battle cry is Socialism versus Economic Plan."\*

These objections were endorsed by the Prime Minister, Gustav Bauer, in his programme speech of the 23rd July, 1919: "This scheme for the compulsory grouping of all branches of industry into cartels has been rejected by the Cabinet, and, above all, by the Social Democratic members of the Cabinet, because

\* Included in Wissell's book: *Praktische Wirtschaftspolitik*.

they see in this economic scheme the most serious danger for the realisation of Socialism in its entirety. The Government does not propose to exchange the straight-jacket of war-time organisation for a new one to fit the times of peace."

In the summer of 1920 Dr. Adolf Braun, at the request of the Executive of the Social Democratic Party, published a book, which was composed of a number of contributions from well-known members of the party dealing with the question of whether the programme of the Social Democracy ought be revised, and, if so, how. In this book Robert Schmidt, the successor of Wissell at the Ministry of Economy, attacked the problem of Socialisation. He wrote: "Nearly all projects of socialisation, such as economic schemes, trusts, agricultural settlements, and however else the proposals may be described, are varieties of reforms, which do not aim at abolishing the capitalist system. They contain much that is acceptable during the transitional period, secure to the workers a certain influence upon the process of capitalist production, while eventually returning to the division of the results of production into wages and profits." The abolition of Capitalism can be achieved only by ending private property in the means of production. Therefore, "nationalised industry, or the municipal administration of an undertaking, represents the most complete form of the transformation of capitalist modes of production." The objection that business can be kept in a state of efficiency and developed only by

means of private initiative is an old heritage of the Manchester theory, a motto of the representatives of Free Trade, and it is astonishing, and to be explained only by a misapprehension of the real causes of the unfavourable position of State and municipal undertakings, that the opinions of the old liberal economists find an echo to-day in Social Democratic circles.

The further development of the capitalist system will lead to an extension of trusts and cartels. There are certain reformers who would like to turn this tendency to good account by the establishment of a committee, composed of employers, workers and consumers, to fix future prices, profits, and wage policies. "The inclusion of workers in the administrative bodies has its advantages, but this method is anything but satisfactory, as has been shown in practice by the legislation governing the coal industry, which incorporates these proposals. Those interested in the coal mines have hitherto found it easy to pass every increase in wages on to the price of coal." Robert Schmidt comes to the conclusion that, although the transformation of capitalist private property in the means of production into social property must be maintained as the objective of the socialist programme, there is no need to reject, in every case, re-organisation on the lines of "collective management," as it might become a necessity for the transition period. Schmidt, however, will have nothing to do with the economic scheme of Wissell. "The complete organisation of industry,

with all its special branches, the combining of it in a central body, the head union, the correct assignment of their position in the scheme to all representative bodies of employers and workers, is a piece of work creditable to a designing office, but of no use for practical purposes."

At the Cassel Conference a very animated discussion took place, which, unfortunately, was not very productive of practical results. According to Wissell's account, the Prime Minister, Gustav Bauer, divided the economic policy of the future into three parts: first, socialisation as far as possible; secondly, the securing of supplies of food and clothing to the most necessitous; thirdly, the prohibition of the importation of superfluous luxuries which exert a bad influence on the exchange. Bauer explained in detail how it was proposed to carry out this programme. "First of all the rich ore deposits are to be transferred to the possession of the Empire. A bill to this effect will be submitted to the Imperial Council and the National Assembly during the present session. A further bill to provide for the socialisation of peat production would be ready within a short time, and this, it was hoped, would transfer to the community an economic service of no little importance. . . . By the construction of imperial railroads, the socialisation of electricity, minerals, peat, the Empire would become the most important factor in the entire economic activities. How much of all this has been translated into reality? Nothing, nothing, and again nothing. The

total result of the previous economic policy of the Revolution is such that one is obliged to confess that Capitalism and commerce have been able to run riot as if we had never had a Revolution. The markets have become the happy hunting grounds of the most reckless speculators, who could not be restricted in any direction. When in the future the history of our times comes to be written, the chapter devoted to economic policy will constitute one big indictment, and a source of all too justifiable criticism. We shall be weighed in the balance and found wanting."

Although this criticism by Wissell made a strong impression, the speaker committed the blunder of saying too little about the economic scheme itself, and too much about the economic sins of omission of the Government generally, for which the late Social Democratic Ministers felt themselves to be personally responsible. Thus there were reproaches from both sides, attacks and angry replies, a heated quarrel over questions of detail which digressed more and more from the kernel of the problem, and finally imparted to the whole discussion the character of a personal squabble among the Ministers. Undoubtedly, if Wissell had developed, in a purely abstract manner, the ideas of his economic scheme, many delegates would have yawned, and left these tedious speculations to the few theorists who are interested.

For a genuinely serious discussion of the enormously important and unusually difficult

problems of socialisation quite different arrangements ought to have been made before the Conference. As long as the socialist parties—and this applies equally to the proletarian economic organisations—do not learn that expert knowledge, as well as time and resources, must be devoted to the discussion of the socialisation question, all socialisation debates and socialisation itself, will remain a farce.

Gustav Bauer's speech was a justification of what the Social Democrat Ministers had done, and an explanation of what they had not done in the sphere of socialisation. During the whole time, the economic difficulties on account of the coal shortage and the extortionate demands of the Entente had been so great that no more positive work in regard to socialisation could have been done. Wissell had prepared an economic prescription to which he ascribed all healing virtues. He viewed everything from the standpoint of the economic scheme. Obviously, his nerves had severely suffered. He had tended to become the fanatical prophet of an abstract idea.

However, some more considered opinions were expressed. Dr. Nestriepke declared that if complete socialisation were possible, it ought to be carried out at once, and he had much sympathy with Wissell's ideas of the thorough organisation of economy. And Waentig, professor of Economics at Halle, thought that Wissell's project of a reorganisation of the whole of national economy, was at bottom, nothing less than the ideas of what



is known as English Guild Socialism, and "we shall be compelled to accept the fact that this will be the future form of society in western European countries."

Although it is our intention, and falls in with the plan of this book, to summarise our own attitude to the various conceptions of the socialisation problem in the concluding chapter, we must here make some observations and explanations for the sake of clearness.

*First.* The sharp antithesis between the economic scheme and socialisation finds no support in Wissell's own statement and explanations. Apart from the fact that Wissell's economic scheme is to form a means, a preparatory step, towards socialisation, Wissell has expressly and repeatedly declared that his systematic organisation of society in no way excludes socialisation accompanied by complete elimination of the employer. Thus Wissell does not recognise the alternatives of either the economic scheme or socialisation, but believes the economic scheme and socialisation can run on parallel lines.

*Secondly.* Wissell's opponents usually avoid any definite declaration as to whether they consider it to be desirable or possible for single branches of industry, such as the mines, electricity supply, &c., to be socialised, while leaving the remaining fields of production to be carried on by the old capitalist methods. A definite answer to this question is imperative. The mere rejection of the economic scheme is no answer.

*Thirdly.* Many of Wissell's opponents (such as Robert Schmidt) while not considering joint control, in the shape of the co-operation of the employers, workers and consumers, to be a final and ideal solution, yet hold it to be a possible, and, perhaps, inevitable form of transition to Socialism. But the same individuals, such as, for example, Robert Schmidt, acknowledge, at the same time, that so far as the coal and potash mines are concerned, the joint management has given very bad results. Is not this a contradiction, which must be resolved in some other way?

*Fourthly.* It is said that the joint control which Wissell desires to extend to the whole of production, is likely, after the experiences with the mines, to lead to an attempt on the part of the employers and workers to create for themselves special advantages, to the fixing of high prices at the cost of the consumer, that is, the entire population, and chiefly the workers themselves.

But would not this danger be removed by giving general effect to the principle of joint management? It would be impossible for the employers and workers collectively to get the better of each other; only individual industries can create monopoly prices.

*Fifthly.* Even Wissell's opponents in the Social Democratic Party have taken over a part of his plan of joint management in the organisation of works councils and the Imperial Economic Council. Only the keystone of his scheme of organisation, the technical economic unions, has been rejected.

But does not this fact cause the works councils and the Imperial Economic Council to lose their special value? Or are these bodies regarded in the light of a means for the carrying out of socialisation? Hardly, in their present form! If the functions of these bodies should be extended to comprise the right of joint control over single undertakings, branches of industry and the whole field of economic activity, we shall have reached, for better or for worse, wholesale joint management, or the economic scheme. Even the socialisation project of the Executive Committee of Austrian Social Democracy, included a scheme of organisation which was nothing less than an economic plan for those industries which were not yet ripe for socialisation.

*Sixthly.* It is said that Wissell desires the economic organism to be managed from above by bureaucratic tutelage. Wissell has expressly stated the opposite intention in his pronouncements. It may indeed be said that, in spite of all precautions that may be taken in the scheme of organisation, it will become centralised and bureaucratic in practice.

It remains a mystery how pessimists of this kind can believe in gradual socialisation, which is absolutely inconceivable without systematic re-organisation.

*Seventhly.* It is declared that the economic plan would lead to the formation of trusts, which represent a danger for the worker, because they increase enormously the power of the employer.

But is it not admitted that the formation of trusts is inevitable, with or without the economic plan ? And are trusts in which the employer can exercise supreme authority to be regarded as less dangerous than economic groups, organised on the principle of joint management, in which the workers have equal representation ?

## CHAPTER VII

## THE SOCIALISATION OF THE MINES.

*The Control of the Mines by Joint Management.*

BOTH the theoreticians and the masses were unanimous, after the November Revolution, that socialisation would have to begin with the social ownership of the basic industries, and, therefore, the coal mines, in the first place. The Socialisation Commission, which was established at the end of 1918, issued, on the 15th February, 1919, an interim report, in which the overwhelming majority of the Commission—Ballod, Cunow, Hilferding, Lederer, Schumpeter, Umbreit, and Wilbrandt—declared for the “complete expropriation of both State and private capital invested in the mines”: “The proposed scheme of organisation will leave no room for the influence of capitalists and of capital, so there would be no object in letting them share in the risks or contingent profits.”

The majority of the Commission recommended a “complete socialisation,” not, however, in the

shape of simple nationalisation and fiscalisation, but by means of the transference of the whole mining industry to the ownership of an economic body, the "German Coal Community," which would be conducted by representatives of the management of the industry, of the workers, and of the community.

In the meantime, the miners had endeavoured, by means of a violent agitation, to force the pace of socialisation. Strike succeeded strike. "In the Socialisation Commission," reported Professor Wilbrandt, "our practical man in the mining industry, the miners' leader, Otto Hué, was mostly absent; he was obliged to proceed constantly to the Ruhr valley to perform urgent duties, to allay unrest, to negotiate, in order to prevent the entire collapse of the German national economy." On Sunday, the 12th January, 1919, a gigantic demonstration was announced to take place at Essen, and it was feared that the buildings of the mining syndicate and the coal syndicate would be stormed. On the 11th January a leaflet was widely circulated, in which the three socialist groups represented on the soldiers' council of Essen (the Social-Democratic Party, the Independent Social-Democracy and the Spartacus League) declared that the coal syndicate and the mining association had been replaced by proletarian people's commissaries. "Thus the first step towards socialisation was taken. The citadel of capitalist exploitation has passed into the hands of the people." This had the effect of staving off the anticipated violence.

And when on the 13th January, the conference of the workers and soldiers' councils of the industrial region of Rhenish-Westphalia, held in the Essen Town Hall, urged the miners to return to work, with the assurance that they would press "in the most resolute manner for the immediate and complete socialisation of the mines," the result was surprising even for those who took the most optimistic view.

This socialisation agitation of the German miners bore a close resemblance, both as to time and object, to a similar agitation on the part of the English miners. In January, 1919, the English miners demanded not only a reduction in their hours of labour by two per day, and a thirty per cent. increase in wages, but also the nationalisation of mines and minerals. In view of the fact that the transport workers and railwaymen made common cause with the miners, the Government appointed a Commission, provided with extraordinary powers, to make an investigation into the conditions. This Commission was known as the Sankey Commission, after the name of its chairman, a judge of the High Court. And the majority of this Commission came to the conclusion, after the most extensive enquiries, that the existing system of ownership and the labour conditions in the mining industry were indefensible, and must be replaced either by nationalisation or by some other method of State control.

As in England, so also in Germany, the pressure of the labouring masses and the advice of the

majority of the Commission did not receive consideration. The bloody internecine strife which had raged between the Right and Left wings of the Proletariat since the turn of the year 1918-1919, and restored within a few months the power of the middle class to an extent that was not expected, put a premature end to hopes of socialisation. The law governing the coal industry, which ~~was~~ put into force in August, 1919, did not provide for the socialisation of the mines, nor for the expropriation of the mineowners, but only for the organisation of the industry on the basis of joint management.

The coping stone of this organisation was the Imperial Coal Council, which consisted of 60 members, including 3 national representatives, 15 representatives of the mining employers, 15 representatives of the mine workers, one to two representatives of the employers, the workers, and the technical and commercial employees of the gas works, the coal trade, the coal-using industries, the small coal-using businesses, the co-operative societies, the railways, the shipping industry, and one expert each for the mining industry, boiler-making industry, etc. The Imperial Coal Council is to "manage the fuel industry, including importation and exportation, upon principles of social utility under the supervision of the Empire." It "has the power to settle working principles for the fuel industry, especially the elimination of uneconomic competition and the protection of the consumers." It has also the right to demand



information relating to economic aspects of the fuel question from the committees of experts, the Imperial Coal Association, the syndicates and the proprietors of mining works, so far as this does not apply to industrial secrets. The Imperial Coal Council appointed three committees of experts, a technical-economic committee of experts for the mines, a similar committee for the utilisation of fuel, and a socio-political committee of experts for the mining industry. To each of these committees it had to appoint a third of its members, so that every member should belong to one of the three committees. In addition, each committee had to co-opt 20 to 40 experts drawn from the interests connected with the fuel industry.

The Imperial Coal Council, as the supervising authority, was served by the Imperial Coal Union in the capacity of its executive organ. This executive organ was composed of representatives of the coal syndicates, of the gas and coke syndicates, and of the German nation, which, as the owner of coal mines, belonged to several coal syndicates.

The Board of Directors of the Imperial Coal Union consists of five persons, of whom three are Labour representatives, and one each representatives of officials and consumers, such appointments being made by the Imperial Coal Council from lists of four, two and two persons respectively, submitted to it. Thus the Imperial Coal Union is able, within certain limits, to select the most suitable persons. The Imperial Coal Union fixes

and publishes the fuel prices, and supervises the obligations imposed on the syndicates with respect to demand, their own consumption and the selling of fuel. It can limit the markets of individual syndicates, as to quantity and district, and is competent to decide questions relating to imports and exports.

The syndicates, to which the colliery proprietors have attached themselves, according to their districts, make proposals for the selling prices of fuel to the Imperial Coal Union. They fix the quantities for their own consumption, and the selling portions of their members, and sell in their own names, for the account of their members, the fuel which the latter place at their disposal.

The managing committee of each coal syndicate must include one Labour representative, to be appointed by the Board of Directors of the syndicate from a list of five persons. The Board of Directors itself includes two to three persons, selected from a list of three to four, which is submitted to the coal syndicate by the Labour representatives on the Imperial Coal Council. Further, to each of the five Boards of Directors of the largest coal syndicates one person must belong who is selected from a list of two persons submitted by the representatives of the officials on the Imperial Coal Council to the syndicate.

The supreme oversight of the fuel industry, organised on these lines, is exercised by the Empire. The Imperial Minister of Economy may

request information from all its organs, and has the right to participate in all their discussions by proxy, and to take exception to their decisions.

In particular, the Imperial Minister of Economy may reduce the prices of coal fixed by the Imperial Coal Union, after hearing the views of the Imperial Coal Council and of the Imperial Coal Union.

Such in broad outline is the scheme of "joint control" created for the mining industry, the object of which was described by the Imperial Minister of Economy, Robert Schmidt, on the 21st August, 1919, in the following words: "The complete permeation of the coal industry with the idea that each private interest is justified only so far as it serves the general interest, and must always give way when it conflicts with the general interest." Wissell's idea of joint management, based upon the co-operation of employers, workers, consumers and the State, has been realised at least in a single branch of industry.

But the experience of this joint management of the mining industry has not been of a favourable character.

When the Government found it necessary, after the Kapp Putsch, to redeem the promises made to the trade unions, by calling together the second Socialisation Commission, so much trouble arose in the mining industry that the Imperial Ministry of Economy was only too glad to be able to effect an alteration in the untenable conditions.

When, in the year 1919, socialisation was carried out in the shape of industrial self-governing bodies, it was expected that employers, workers, traders and consumers would play a common part in the regulation of production. In reality the decisive influence belonged to the syndicates, which had been made into compulsory organisations. It is true that some Labour representatives had been drafted into the syndicates, and into their head organisation, the Imperial Coal Union, but the whole syndicate organisation is in the nature of things a federation of employers' associations, in which the colliery owners play the decisive part.

The part allotted to the Imperial Coal Council is the inglorious rôle of an advisory committee, which has no power to encroach upon the decisions of the Imperial Coal Union. The supervising of these resolutions is indeed reserved to the Imperial Minister of Economy. Efforts have been made to counteract decisions, by means of the right of veto reserved to the Imperial Ministry of Economy, which has in fact proved to be very necessary. On the other hand, this state of affairs is very unpleasant for the Government, for since the organisation came into force in November, 1919, there has been a "continuous struggle between the coal producers and the Imperial Ministry of Economy."

The fixing of prices proceeds on these lines: The syndicate submits the prices, the Imperial Coal Union determines accordingly, and the Imperial Minister of Economy may then take exception. "The co-operation of workers in the

fixing of prices affords no guarantee against unjustifiable increases in prices. The worker is, as a rule, not in a position to check the expenses. Often he lacks the desire to do so, especially when increases in wages are promised him by the employers as compensation." The demands of the syndicates have nearly always been assented to by the Labour representatives. Thus, the opposition of the Imperial Ministry of Economy is doubly necessary, but this opposition is not sufficiently effective. "It cannot interfere with the material calculations and eventually great power falls into the hands of the owners of the largest mines, under the guise of the joint management."

The position is, therefore, very difficult for the Imperial Ministry of Economy. When prices are raised, it does not succeed in finding out what are the net costs. The prices which are finally agreed to conceal, as a matter of fact, a portion of that which was previously asked. In addition, there is no guarantee that part of the price would be employed for the purpose to which it ought to be devoted, in accordance with the agreement. Consequently, the influence of the coal industry has latterly been extraordinarily extensive upon the whole iron industry, the ship-building industry, etc. "We know that the same group has simultaneously acquired interests abroad, and that recently a portion of the Press has been transferred to its possession. The accumulation of capital in relatively few hands may bring about in Germany the American trust conditions."

*Owners' Profits and Workers' Wages.*

At the sitting of the Socialisation Commission held on the 22nd April, Hugo Stinnes declared, as an expert, that the price of coal, which amounted to about 200 marks per ton, was "not disproportionately high" as 200 marks was not worth more than 16 shillings, according to the value of the German mark, and before the war the price for a ton of German coal had amounted to 12 shillings. The present price of 200 marks—16 shillings—was all the less exorbitant in view of the fact that the price of English coal amounted to 45 to 48 shillings, that is, four times as much as the German. Under-Secretary of State Hirsch, pointed out that these calculations of Stinnes were based on unwarrantable interchanges in the value of the market at home and abroad, and its former and present value expressed in shillings. As a matter of fact, the prices of German coal had not increased by one-third between the year 1913 and April, 1920, as would appear to be the case, according to the calculation in shillings, but had increased fifteen fold. What this signified for the national life of Germany may be illustrated by pointing out that in pre-war times the whole of German production amounted to 25,000 millions of marks, of which the coal production represented only 2,000 millions, equal to 8%; now, on the contrary, the coal production alone amounts to 25,000 millions, which represents not less than 26% of a total production amounting to 125,000 millions of marks.

The terrific increase in coal prices caused a corresponding increase in the prices of steel, cement, building materials, etc. It often happened, as in the iron and steel industries, that the increases in prices climbed considerably higher than those of coal, which fact brought about further increases in the price of coal. These increases in prices could be made effective only by an immense addition to the quantity of paper money, which caused an enormous depreciation in the value of the mark. All receivers of interest, salaries, and wages suffered intolerably from this rise in prices, while the industrialists, especially the mine owners, could conveniently bear the rise in wages and the prices of raw materials, as long as they remained at the head of this mad race. Stinnes was not troubled by the fact that the incredible dearness of household fuel hit the masses of the people the hardest; he declared callously that the question of house fuel could not be settled at present. Industry could bear the burden imposed by the dearness of coal; the coal industry was so closely connected with the coal using industries that it knew exactly how much it could demand from them. Now, the iron and steel industry considered it was quite at liberty to increase the prices of its products in an even more fantastic ratio than was done by the coal industry.

The prices of bars, wrought-iron, iron moulds, were at that time increased 25 to 30, and even 40 times the prices ruling in peace times. These price increases by the iron industry were again a

welcome argument to the coal industry for increasing the price of coal. Stinnes, for example, pointed out that new appliances, such as turbines, cost 20 to 40 times more than formerly, whereas coal had been increased only by one-third—even in comparing the prices of German products Stinnes reckoned one time in marks and the other time in shillings.

The coal industry held itself to be blameless for the dearness of the materials which it needed, as was explained in the sitting of the 23rd April, 1920. When a wage increase was made of 5 marks per shift, the price would immediately be raised 10 marks per ton, one ton being reckoned as the produce of one shift. Even this calculation meant an advantage for the employer, as the output per shift amounted to 600 kilogrammes, instead of 500, in January, 1920, as Hué and others demonstrated. Further, an additional 60% was added to the increase of 10 marks, on account of the rise in the prices of materials which the increase in coal prices was expected to cause. The astonished Professor Lederer asked why such a 60% was immediately put on the price of coal, to cover the increase in the prices of materials, even before the increase began to affect industry. The Imperial Coal Commissioner, Stutz, informed him that, according to agreements that had been concluded, with every increase in the price of coal an increase in the prices of such materials as iron, tyres, mine-trams, cement, tiles, etc., automatically took place. Thus the coal industry and the heavy



metal industry work in friendly co-operation. From every increase in prices they draw only advantages; the costs are borne by the other trades and, above all, by the great mass of the wage and salary earners.

The employers justify their enormous increases in prices, not only by increases in wages, salaries and the costs of materials, but also by the necessity of providing greatly enhanced sums for depreciation. All replacements have to be regarded in the light of repairs which the industry has to support. And the value of the old machinery must be recorded in the books on the basis of gold marks, that is, twenty times the cost of installation. The sums in the books which represent fixed capital must be large enough to provide for the instalment of the newest machinery at any time. Consequently, Stinnes demanded an immediate increase in this provision of 85%. In reply to this request, Professor Lederer declared that only two things would be achieved by such a policy in regard to prices and reserves; an intolerable burden would be placed on the consumer, and eventually any improvement in the value of the mark would be prevented; in other words, the consumer would be permanently burdened. As a matter of fact, such a short-sighted policy could lead only to irreparable dislocation of national economy, by gradually sending up the prices of all goods to fantastic heights, by hopelessly depreciating the exchange, and by vastly increasing the poverty of the workers, salary earners and officials. Stinnes

informed the Commission that, by means of the price policy of the coal industry, the output of the mines and of industry had been generally increased and that this quickening of production, especially the increased export trade, would also effect an improvement in the German exchange.<sup>c</sup> In reality, the methods of Stinnes have only depreciated the mark still more. In consequence of the low value of the German mark and the cheap costs of production, the export figures for German industry are indeed high, but this exportation, which undersells foreign industry, has, in the meantime, provoked those anti-dumping measures which threaten the economic life of Germany with absolute disaster.

The Commission recognised, even at that time, that an improvement of German national economy and a restoration of the German exchange was to be anticipated only from a reduction of prices. This fact was particularly emphasised by deputy Baltrusch, a leader of the Christian Trade Unions : " We are dancing on the edge of a precipice. A stop must be put to this driving of prices, and where should we commence first? With the principal product. We cannot allow things to go on as hitherto." And the deputy Hué, at the sitting of the 21st May, raised another cogent objection to the price madness : " I assert that the method of increasing prices, as practised by the Imperial Coal Union, has contributed to keep the demand for coal at a relatively low level. All additional expenses of the industry are put on the

price of coal, and technical improvements are no longer necessary. I assert that this method of procedure for increasing the price of coal has killed all incentive to business improvements."

A special advantage from the tremendous increases in prices has been drawn by those mines, which, owing to their superior productivity, are able to count upon profits which are above the average. Even the minority report of the first Socialisation Commission made reference to this differential rent: "If, owing to natural conditions, one mine is able to produce 0.7 of a ton, and another one ton per worker per shift, the latter can show a differential profit of 2.43 marks upon a wage of 6 marks, 4.86 marks on a wage of 12 marks, and 7.29 marks on a wage of 18 marks." In view of the fact that, according to the information given by one of its members (Werner), to the Commission, at its sitting of the 30th April, the differences in output are in reality much greater, and fluctuate between 0.38 and 1 ton, the differential profits must be of a gigantic character. Formerly, so declared Dr. Vogelstein at the sitting of the 15th May, the differential rent was not higher than 1.50 marks (at the most 2-2.50 marks); to-day it amounts to much more than 15-25 paper marks per ton. Even if a compensation fund were established, by means of which the loss of poor mines was made good to the extent of 20 marks per ton, there would still remain colossal extra profits for the favourably situated mines.

When we reflect that the syndicates and their organ, the Imperial Coal Union, scarcely ever encountered opposition to their demands on the part of the Labour representatives, and met with but feeble resistance from the Imperial Ministry of Economy ; and, on the other hand, based prices upon such calculations as we have described above, we realise that the profits of the coal industry must have run into milliards of marks.

It is true that the State Secretary Hirsch goaded Stinnes into making the reproach that the former had pursued a "criminal policy" by his attempts to alleviate prices, but Hirsch met this reproof at the sitting of the 22nd April : "I am surprised to learn now that it has been possible for a portion of the profits of the coal industry to be sufficient to establish paper factories, and to be diverted into other industries in the shape of a series of further investments. This all seems to me to be no justification for the fixing of prices in such a manner as to be so unfavourable to business, and so favourable to the demands of the producers." Walter Rathenau expressed himself in a much more definite manner : "At present a selling price is arranged between the employer and the Coal Union, which is fixed by the employer, because the Imperial Coal Union and the Imperial Coal Council are now pure farces."

It is particularly noteworthy that no section of the Socialisation Commission reproached the miners with being the chief agency in sending up prices. This fact is all the more important as not merely

reactionary demagogues are fond of putting upon Labour the responsibility for the dearness of all articles of consumption, especially coal, but also because even economists like Steinmann-Bucher, in the book from which we have quoted, ventures to make the assertion that, "so far as the mines are concerned, the Revolution has found expression in unceasing demands from the mine workers." Now the wages of the miners in the Ruhr valley in the third quarter of 1919 amounted to three times the wages for the year 1913, and twice the wages for the year 1917, that is 16.12—20.31 marks; but all who have any knowledge of conditions in the Ruhr valley agree that this wage falls far short of being adequate. The rapid depreciation of the currency which set in during the second half of the year 1919 made further considerable increases in wages unavoidable. But whereas, at the beginning of 1920, coal prices had risen to 14 and 15 times the prices of 1913, the wages, even of the best paid workers, only amounted to 8—8½ times 1913 wages. Stinnes himself estimated wages at 50 to 60 marks per shift. The Trade Union Secretary, Schmidt, member of the Imperial Coal Union, gave the average wage as 45 to 46 marks per shift; for hewers, who formed only 45% of the staff, 52 marks. As the corresponding wage for 1913 amounted to 6.47 marks, the increase has been eight fold.

In other words: wage increases have lagged far behind precisely during the time when increases in the price of coal have followed upon each other

most rapidly. Kuczynski suggested to the sitting of the Commission on the 22nd April, 1920, that if they followed Stinnes in his calculations on the basis of the shilling, and spoke of a peace price of 12 shillings and a present price of 16 shillings per ton, then the miners' wage which was formerly 6 shillings per ton was now reduced to 4 shillings. In any event the fact will not be disputed that, even without considering the coal tax, a smaller fraction of the price of coal is represented by the wages of labour than was formerly the case.

The investigations of the Socialisation Commission brought into stronger and stronger relief the fact that the driving force behind the increases in coal prices was not the workers, but the employers, who greeted every wage demand of the workers as a welcome opportunity to extract special benefits for themselves out of a new increase in prices.

*The Influence of Workers' and Consumers' Representatives.*

It was fondly believed that the functioning of the coal industry for the common good would be secured by providing for the representation of workers, employees and consumers in the Imperial Coal Council, and also by conceding to them a smaller measure of representation in the syndicates and in the Imperial Coal Union. It has, however, been confessed by the State Secretary, Hirsch, that this form of representation of workers and

consumers has not proved to be sufficient to place the necessary limits on the monopolistic price drives of mining capital. Hué has also declared at the sitting of the 22nd April, 1920: "Our representatives do sit on the coal syndicates as directors and members of the Boards, but we learn nothing whatever about the inner workings of the business. How is it that they are not kept fully informed? How is it that Labour representatives vote almost regularly with the works representatives for quite considerable increases in the price of coal?"

Now, the proceedings of the Socialisation Commission have given some very interesting information as to the why and wherefore of this fact. In the sitting of the 26th April, Dr. Vogelstein expressed the opinion that a hewer or miner would, generally speaking, find no way of being useful in the syndicates, which were mere accountancy and book-keeping departments. Book-keepers and business people rather were needed in these controlling organisations. Moreover, the testimony of the eminent expert member of the Socialisation Commission, von Siemens, deserves attention in connection with the checking of the net cost calculations, which form the basis for fixing the coal prices. Von Siemens has had much practical experience of net cost calculations, and knows exactly "how even with the best will and the most honest intentions it is for the most part impossible to obtain a firm grasp of net costs, especially at the present time." No man is to-day

in a position to ascertain his net costs, even with any degree of approximation." Herr von Siemens infers from this the necessity of stabilising the prices of coal and iron, as a prime necessity.

But the checking of the calculations submitted by the coal syndicates would be wholly futile, if the methods described by Secretary Hirsch at the sitting of the 22nd April were adopted. According to this procedure, the estimates of costs are submitted on the day upon which a decision has to be made. As an expert, he was obliged to disown this proceeding as utterly impossible: "I have had experience in this matter, and assert it to be out of the question for the best experts to come to any conclusion whatever with these methods and within this time."

But even when the Labour representatives on the syndicates ask for the details of the net cost calculations, they fare little better than the Imperial Coal Council, the Government and the Socialisation Commission itself, the impossible situation of which was described by Rathenau on the 26th April in these words: "And now the syndicates submit to us net costs, which we in this sitting have seen to be quite unintelligible, a hotchpotch of the costs of businesses with heavy charges and businesses with low charges, and the final result always remains a contradictory proceeding, in which the one side has all the materials in its hands, and the other side has nothing."

Furthermore, the Labour representatives in the syndicates, in the Imperial Coal Union and in the



Imperial Coal Council, find themselves in the most unpleasant positions, in the most painful state of a divided conscience. Werner, the leader of the League of Technical Employees and Officials, with commendable frankness, has called things by their proper names. When prices are increased, a bait is offered to the workers and their representatives in the shape of increased wages. "Nobody can expect of the representatives of the workers and employees, who sit on the Imperial Coal Union, that they will vote against increases in prices which are based on increases in wages. We are officials of the union of mining officials or mining workers. Our shirt is closer to the skin than our coat. We are obliged, if we are not to get into trouble outside, to agree to the coal prices." Unfortunately, with the present tendencies, the interest of the employer and of the worker as regards the price question points in the same direction. One may be ever such a good socialist, one may be convinced of the fact that the existing tendency of prices is a tremendous misfortune for the people, but when one sits in this circle as the representative of Labour organisations, one is obliged—the shirt being closer than the coat—to adapt oneself to circumstances; one represents the interests of the miners." (Sitting of the 30th April).

How accurately Werner has described the conditions is proved by the warning which was uttered at the sitting of the 11th June, 1920, by Otto Hué, the type of the reflective trade union official.

who says rather too little than too much : " When the composition of the management of the self-governing bodies is closely examined, it will be found that, including the workers and employees, those who are directly interested have the numerical preponderance here. This is something to which I object. Gentlemen, you cannot believe how great is the urge of private initiative among all the interested parties, including the workers and officials, and what a grave danger we have incurred by allowing practically the workers, employees and employers of the mines to decide such enormously important questions as increases in the price of coal, and the like. One is exposed to a certain amount of risk in saying this openly in this place, but the thing must be said ; it is so."

While the workers and employers acted thus in concert, the consumers remained in a state of incredible inactivity. It is true that their representation was disproportionately weak upon the Imperial Coal Council, and the Imperial Coal Union, which decided in the first and second places what price policy should be pursued. Among the sixty members of the Imperial Coal Council were only one representative each of the urban and rural coal consumers, as against several representatives of the coal-using industries, which to some extent went halves with the coal industry, by reason of the automatic increases in the prices of materials which followed rises in the price of coal. And the five coal merchants, who were reckoned in with the consumers' representatives, were interested in

high, and not in low, coal prices, because their trade profits augmented with every rise in prices. The consumers were generally not represented at all at the general meeting of the Imperial Coal Union, and on the Board of the Imperial Coal Union they were represented only by a Wurtemberg privy councillor and a town councillor from Ulm.

On the other hand, the same sitting of the Socialisation Commission was informed by Wagner, a member of the Imperial Coal Council, that there existed a sub-committee of the Imperial Coal Council for checking and sanctioning prices, to which 22 experts belonged, in addition to 22 ordinary members, among which there were 11 consumers' representatives, as against 5 Labour representatives. It was stated by Wagner that this committee had never met to this day, and the consumers have shown no initiative whatever up to the present time. It was acknowledged by the member of the Imperial Coal Council, Imbusch, that the sub-committee formed in the interests of the consumers could have accomplished something. "I think the consumers have relied a little too much upon the Government." The Germans are too much accustomed to governmental action. It is urgently necessary for the consumers to display more activity.

Thus the interests of the community remained within the keeping of the Minister of Labour himself. He alone had to resist the pressure for ever new and exorbitant increases in the price of

coal. Dr. Vogelstein called special attention to this fact in the sitting of the 4th May, 1920. According to the reports of the Imperial Coal Union and the Imperial Coal Council, which are "extraordinarily instructive," nothing has taken place in the Imperial Coal Union but "a struggle between the Imperial Ministry of Economy and the syndicates." The Imperial Coal Union and the syndicates appeared as one in almost all cases. Under such circumstances, the position of the Imperial Ministry of Economy was not an enviable one. The Under-Secretary, Hirsch, confirmed this statement by the details he gave on the 4th May. When the new increases in prices came into force towards the end of the year 1919 a constant struggle went on between the Ministry and the syndicates, especially on account of the 60% addition, which was to cover the expected rise in the prices of materials. At the time the Ministry vigorously contested this demand. "But the Ministry is, physically speaking, not in a position to say of its own accord—"stop, thus far and no farther," when the entire weight of the united interests, employers and workers, as well as the whole weight of the other professedly disinterested sections in the self-governing bodies, are against it." In addition, the Prussian Ministry of Trade has supported these demands almost unceasingly.

In this desperate struggle against the folly of a monopolistic policy which heavily exploits the masses of the people, and threatens disaster to the national economy, overwhelmed by the all-powerful

employers, is it not a deplorable spectacle to see a few far-sighted Government servants almost completely isolated, only feebly supported by the Labour representatives, left in the lurch by the consumers and the broad masses of the people, who, with inconceivable submissiveness and indifference, have allowed the most ruinous economic and price policies to be pursued? And, what is more staggering, has there been a particle of difference in the policy pursued during the year which has since gone by? In spite of Socialisation Commissions and all the rest, have not the stupidity and apathy of the German people, become greater still, if this be possible?

That, with all odds against them, the gentlemen of the Imperial Ministry of Economy, who were, in sooth, neither heroes nor martyrs, at length capitulated, is illustrated by an incident which Steiger Werner recounted at the sitting of the 30th April. Negotiations which were conducted between the Imperial Minister of Economy and the mine owners, in connection with increasing the price of coal in Central Germany, and during which the Government representative lodged his protest, culminated in a deadlock. As the representative of the Ministry was leaving, he was informed by the privy councillor, Schumann, the representative of the syndicate: "The moment you publish your protest, we shall inform the workers in Halle that the wage increases will not be granted." "Before an hour had passed, the telephone bell rang and the representative of the

Imperial Ministry of Economy intimated that the protest would not be given publicity." After that, Werner had heard nothing more of the matter. An incident which underlines with red ink Hué's warning against handing over industry to a body of interested persons.

*Socialisation on Horizontal Lines.*

The discussion which ranges around horizontal or vertical socialisation may be elucidated as follows:—The supporters of horizontal socialisation hold it to be most advantageous to commence with the socialisation of single branches of industry, such as, for example, the coal mines, the iron and steel industry, the electricity supply, and to realise the nationalisation of the whole field of production by taking over economic sections, one after the other, horizontal wise, so to express it.

Opposed to this view is the opinion that the economic business and technical inter-relations of the separate industries are of too intimate a nature to allow of drawing a line for socialisation purposes. So far as this objection does not imply the necessity for complete and simultaneous socialisation, it points to the advocacy of partial socialisation in vertical divisions, the nationalisation of a segment of industry, which comprises the prime industry and the subsidiary and dependent industries, as, for example, the socialisation of some coal mines, in connection with a corresponding number of iron and smelting works.

Both the first and second Socialisation Commissions aimed at the socialisation, or, at least, an effective national organisation of the entire coal mining industry; thus, their members were supporters of horizontal socialisation.

Nevertheless, it was the duty of the Commission to hear the objections of the opponents. And so far as these opponents represented the standpoint of the employers and resisted socialisation on principle, they found expression in the question which was agitated in the sitting of the 24th April, 1920, as to whether the coal industry could not be run in the form of a nationally directed trust.

The possibility of the creation of a unified trust for the coal mines was dealt with by the general manager, Silverberg: "Trustification would long ago have made great progress in the mines, had it not been for the restrictive fiscal legislation and the hostile attitude of Parliament."

Thus, one had made a makeshift with the creation of the Rhenish-Westphalian Coal Syndicate, also the amalgamation of work had gone on. Seventeen years ago, when he took over the management of his company, it still consisted of six independent companies. Altogether the amalgamation in six or eight large concerns was possible and desirable. An argument against the trustification of the coal industry was the fact of the mixed concerns. It would be a catastrophe for the iron industry, if just now, after the separation of the ore districts, the coal mines were in any form taken away from the iron industry. As regards the lignite fields,

which as yet were greatly split up, there was the possibility of further amalgamations.

The formation of trusts implies no saving in net costs. "One large undertaking has heavier working expenses than a number of separate undertakings operating side by side. One large and well-organised administration is dearer than several smaller administrations, but it is also better. It is more likely to effect technical and economic improvements; it provides scope for adjustments and displacements in production, and, above all, the large, capacious, well-capitalised organisations are in a position to build up smaller and weaker works." Feeble businesses need not, of course, be artificially kept alive. The maintenance of ill-adapted works only results in wasting labour power and materials. "The formation of trusts is only to be recommended, if they are able to operate with absolute freedom of management. The direction of large-scale and properly organised undertakings must have sovereign powers, else they cannot perform good work for the general economy."

The notion of a single trust is an erroneous one, and the coupling of coal and lignite is an unfortunate suggestion. It is impossible to sever coal from the power industry. In Central Germany the connection between the chemical works (manufacturing paraffin, oil and the like) and coal is indissoluble. Thus the formation of a trust is only conceivable in the case of mines pure and simple, and cannot be applied to mixed businesses.



The second expert, Hugo Stinnes, likewise declared a single coal trust to be impossible. The most efficient and capable director finds it impossible to supervise the production of coal, if the quantity exceeds 8 to 10 millions of tons. Another obstacle is provided by the composite works. The iron industry has acquired extensive ore mines. Recently the iron ore mines have become essential, because the production of fine quality steel has become a matter of importance. By the loss of its ore mines, Germany has entirely lost its position as an iron exporting country, and must, therefore, give attention to the creation of a refining industry upon an enormous scale. It is, therefore, necessary to maintain the closest connection between the coke and the smelting industries, in order to be able to produce fine quality steel. In the Ruhr district 65 or 66% of Swedish ore is used, which is very difficult to smelt, and the output per furnace amounts to 600 tons. These furnaces are extremely delicate, and require to be fed with specific qualities of coke. The whole smelting industry must be organised in such a way as to promote the production of fine quality steel. Consequently the ore mines must be constantly extended, and this natural development would be hampered by the Coal Trust.

Ore mines and coke can be as little separated as the coke industry from its lucrative by-products, ammonia, benzol, tar oil, etc. 'For the Rheinland and Westphalia eight to ten trusts would be a practicable proposition, but even in this case there

would be difficulties over the question of official management, as the mine industry was a personal business. Karl Funke, Haniel and himself (Stinnes) had taken officials out of the lowest ranks, and placed them in leading positions. In a trust it would not be possible to introduce persons having only an ordinary education into such positions."

This last argument advanced by the expert was immediately answered by Steiger Werner with the remark that Stinnes had drawn his officials out of the lower ranks in order, by making use of over-zealous persons, to be able to exploit the workers more ruthlessly. Later on he supported his assertion by pointing to the fact that in many of Stinnes' works the annual resignations of the staff amounted to 150%, whereas the resignations in the other works amounted only to 10%.

For the rest Werner, in opposition to Stinnes, pointed to great and numerous advantages of a national trustification of the coal mines. The question of materials would be settled more satisfactorily, and technical improvements could be applied much more extensively. Many businesses still remain in a very backward state. In consequence of the immense variations in the output per man and shift, there exists such a variety of net costs that unfavourably situated works are hindered in procuring material. Thus obsolete machines are worked, and coal and labour are wasted, whereas a centralisation would permit the acquirement of efficient machinery, and effect enormous saving.

The Socialisation Commission was united in thinking that in the case of socialising the coal industry there would be no need whatever to separate the coke industry. So far as the coke furnaces produce gas and tar, they are ripe for national organisation. The distillation of tar yields very different kinds of products. In any case, the chemical dye industries would not be included in the coal administration. Hilferding also expressed this opinion. "The making of briquets and the burning of coke are within the scope of the coal industry. Thus the most important starting points for the chemical industry would be controlled by the coal community, but not the preparation of these products. The draft of a law to govern the coal industry, which was submitted by one half of the second Socialisation Commission, therefore made provision for bringing coal and lignite, as well as the industries concerned with the making of briquets, the burning of coke, and the extraction of the by-products of coke, within the scope of a national organisation of the coal industry."

It was recognised by the majority report of the first Socialisation Commission that the line of demarcation must be arbitrary to a certain extent. Neither the technical nor the commercial ramifications reveal natural divisions anywhere. "Many mines do not provide for coke manufacture in their own works, whereas a considerable portion is attached to smelting works in the form of composite undertakings. On the other hand, there

was a tendency to exaggerate the difficulties which would arise in the separation of the composite industries, for the separate businesses in these composite undertakings are at present, as a rule, quite distinct from each other as regards technical equipment and accountancy. Rathenau has repeatedly stated that the sundering of the various branches of production of the composite undertakings would present no difficulties.

In capitalist circles such technical separations and withdrawals of property, in the case of retirements of partners, etc., take place thousands of times without the least disturbance.

A further objection on the part of Stinnes and Silverberg that the compact organisation of the coal industry could not be effected beyond certain limits—a sphere of production of about 8 to 10 millions of tons—because otherwise the management could not exercise proper supervision, is based on the erroneous conception that the coal industry is to be put under central bureaucratic management. The report of the first Socialisation Commission contained a decisive pronouncement to the effect that the managing body of the coal industry should be granted sufficient power and freedom of movement as the crushing of free initiative and individual responsibility was fraught with the worst dangers.

Consequently, absolute freedom of decision and action must not only be granted to the Coal Directorate, to which the entire management would be transferred, but, in addition, “sufficient

scope for personal initiative " must be guaranteed to the controllers of the 20 to 25 regional divisions which would be created. In view of the fact that the first as well as the second Socialisation Commission were unanimously of opinion that payment and profit-sharing on the same scale as is in vogue in private industry is certain to provide an incentive to the most capable persons, it is not obvious why a properly balanced financial and technical organisation of the industry on a national basis should deprive the local managers of their energy and initiative and should not be the most rational method of carrying on the production of coal.

### *The Function of the Employer.*

The great majority of the first Socialisation Commission came to the conclusion, in their report, that the scheme of organisation for the coal industry which they proposed left no room for the capitalist and for capital. Therefore, they recommended the absolute and immediate expropriation of the mine-owners :—

" In the coal industry the function of director can and must be separated from the ownership of capital ; any other solution would only be a source of difficulties and futile strife between the national administration of the entire mining industry and the interests of private capitalism. Our proposal does not signify a radical breach with existing conditions, inasmuch as the development of large

joint stock companies and syndicates has already opened the way for the separation of the management from the ownership of capital."

The second Socialisation Commission split upon the question of expropriation, into two halves of equal strength. While the first half reiterated the expropriation demand of the first Commission, the other section, led by Rathenau, although desiring to impose severe restrictions in the financial sphere, still wanted to maintain the employers and the joint stock companies in their other rights and functions.

This demand was supported by the assertion that, in view of its vital importance for the whole social fabric, the coal industry could not dispense with the strongest and most energetic economic managers. "The most decisive motives of capitalist economy were and are the incentives of success. They bring about keen selection, a higher degree of independence, social and pecuniary position, public recognition, sometimes the practical indispensability of the successful manager." It is true that only in very rare cases is the owner the personal manager.

But management by employers was a guarantee of management for profit. And management for profit has brought about the "keen selection, the almost impregnable position of the successful director, whose management could not be dispensed with."

Therefore it was recommended to take away from the employer all "monopoly rights and

prospects of differential rent, the fixing of prices and profits, the decision as to economic policy," but "to retain him as responsible supervisor and partner in the concern."

Thus even Rathenau's proposal concedes that the mine owner shall not be regarded as the leader and manager of production. This position was frequently assumed during the discussions without ever being seriously questioned. Werner said on the 27th May: "The employer does not participate in the work of the mines to-day to the extent which often appears. In the Ruhr valley, for example, only a few companies employ an immense number of workers. We can count nine or ten companies each of which employs 10 to 50 thousand workers. At the head of these ten companies are managing directors who conduct the whole business." On the 21st May Hué had asked: "What are the functions exercised by the great employing families, such as the Stinnes, the Funkes, the Waldhausens, the Haniels, the Krupps, etc.? How do they function? For a long time we have heard it said in middle-class circles that, with the development of large scale industry, capital tends to become impersonal, and the capitalist tends to become a profit receiver. We may, perhaps, leave out of account Mr. Stinnes, who is quite an exceptional personality; but even he is practically passive as the director of the business itself. For this purpose he has his general managers, and selects especially efficient persons, to whom he gives advice, or, better, from whom

he receives advice, as it is impossible for him to be as experienced in the cellulose industry as in the mining industry or in the production of newspapers or in the running of hotels. We propose that the managers would remain in the socialised undertakings as our servants, and the employer, as such, would be excluded. What difference would this make to the mines? None at all."

Therefore, scarcely any objection arose in the Commission to the suggestion that the mine owners would play no part in the conduct of the mines, and that reliable experts would be selected to manage the socialised undertakings. The likelihood of this was also affirmed by Baltrusch, the representative of the Christian organisations: "I have spoken with practical men of affairs, who have occupied responsible positions for many years, and who state they are prepared to introduce a whole series of their people to be managers of national undertakings, but always upon two conditions, that their interest shall be aroused, and that they shall not be fettered by red tape." All the members of the Commission were convinced of the necessity for higher remuneration, a corresponding share in the profits and the largest possible scope for freedom of action.

Rathenau himself was not concerned with the personal direction of the employer, but with that of the managers. But the outstanding and peculiar position of the general managers is rooted in the foundations of capitalist enterprise, and on that account, the existence of the employer and the



ownership of capital cannot be dispensed with in the mining industry, at least for the present. Show me the general manager who continues to work when he is no longer engaged in an undertaking about which he can say : " Upon the results I obtain depends an extraordinary independence of economic conduct."

In a socialised undertaking they would be transformed into State officials, and profit-sharing State officials are an impossibility. What is needed is proper managing directors, who must be chosen by proper general meetings of interested shareholders, else the keen incentive is absent, else there is nepotism of the worst kind, place hunting, and inefficient management.

The principal reason why State industry does not work well is not poorness of remuneration and officialdom, but the "absence of the urge of success." "In management for success the man who has made good in a practical sense is protected. There is no board of directors, no family which can displace him. On the contrary, you know quite well that all these families permit themselves to be tyrannised over by their directors. In a municipal or fiscalised undertaking you will never find this incentive, but always a type. I do not regard this type as anything but estimable, but for a vital industry on which our existence depends, I do not hold to be sufficient the type of gas-works manager, school inspector, slaughterhouse manager, or tramway manager. You will get these people, but we cannot tolerate them to-day in the mining

industry. (Hué: 'What would the other kind do if private industry no longer existed?') They would become business people, or remove themselves to other lands, and foreign countries would compete for them."

In the sitting of the 27th May, Dr. Hilferding advanced some cogent objections against Rathenau's statement that the desire for profit represented the most effective motive in industry. "I need not point out that the incentive of the desire for profit is either wholly absent or exists only to a very slight extent in the field of scientific and technical work, and in the sphere of inventive activity."

Rathenau based his conclusions on very convenient premises, inasmuch as he always compared the Coal Parliament in which the supreme control of the socialised undertaking and the choice of managers was vested, with a municipal corporation. He forgot the fundamental distinction, which lay in the fact that the Coal Parliament was composed of the experts who are interested in the highest degree. Rathenau asserted that it was immensely difficult to find the most suitable managers. "But in this Coal Parliament sit people who have known for decades, quite as well as the employers, all the resources, and all the industrialists concerned, and can choose them accordingly. They are supremely interested in making the selections, because the entire effectiveness of the industry and the maintenance of their positions depend upon their ultimate success in this matter." It is also quite

incorrect to assume that the managers of the socialised coal industry would not have sufficient independence. Their position is conceived to be one of such independence, that we might rather expect the objection that the control over them will not be adequate. In fact, I know of no corporation which would be invested with such a measure of power as this coal directorate. The whole scheme is so adapted as to encourage the directorate to make independent arrangements." Dr. Kuezynski also contradicted Rathenau's assertion that so far as one can see, industry will be successful only on the basis of private property, because individual employers or general meetings of shareholders alone understand how to engage strong and energetic personalities. From his extensive experience of municipal practice, he pointed to instances where even to-day the managers of city enterprises are allowed freedom of action to a most unusual extent. Without doubt, at least 90% of the industrial officials would be available. As regards the rest, it is ridiculous to contend that the majority of managing directors are irreplaceable geniuses. Many of them were originally engaged in State undertakings.

As the above exposition shows, not one of the advocates of the immediate expropriation of the capital invested in the mines disputed the necessity of avoiding every appearance of bureaucracy in the organisation of socialised production, and of stimulating in every way the creative activity of the personnel, and its exertion in the interests of

the community. Yet, in estimating the individual capacities of the industrial managers, a piece of capitalist mysticism crept in, which might lead to bad mistakes, as is shown by the assertion of Dr. Vogelstein, at the sitting of the 27th May, that the organisation of the coal industry did not involve merely technical knowledge, "but a considerable degree of organising and business knowledge." Steiger Werner declared, on the contrary, that the coal industry had been characterised by the entire abolition of the business managers, but, in spite of this, the mines of Germany had undergone a powerful development. Consequently, no significance need be attached to the fears expressed by Dr. Vogelstein that the disappearance of the private employer would hamper the exercise of initiative in business and impede its development.

*Socialisation and Personal Initiative.*

Even to-day, we constantly meet the opinion that Socialisation can be nothing else than nationalisation in the form of the most rigid and clumsy bureaucracy and fiscalisation. In the discussions of the Second Socialisation Commission, this error cropped up here and there, although the First Socialisation Commission had not left the matter in any doubt that its proposals for the socialisation of the mines had absolutely nothing in common with nationalisation, such as of the Post Office and Railways.

In this respect, it must be emphasised that the contempt for nationalisation, which is now the fashion in capitalist circles, finds no justification in the operation and the business results of the Post Office and Railways. For a generation, both the Imperial Post and the State Railways have not worked at all badly. The Prussian Railways have even yielded very considerable surpluses, while, at the same time, attending to the comforts and requirements of the community, in a manner that would find no place in private enterprise. Even so vigorous an opponent of socialisation and any extension of State enterprise as Hermann Scholer has admitted this. "Many subsidiary lines are concerns which require support and are regarded as such, but in spite of this, they are built. It is only because the Railways and the Post Office are run by the State that they can embark upon such undertakings. The State alone can regard the Post Office and the Railways as social as well as economic undertakings. To the State alone falls the appropriate task of making, if necessary, an economic sacrifice, to bring those parts of the country which are remote from the quickly pulsating economic centres into the orbit of modern progress, and to maintain their inhabitants in close connection with the social life of the community."

Notwithstanding this, the supporters of expropriation in the first and second Socialisation Commissions aimed at a form of nationalisation which would enlist in its service that personal initiative

which is vital for national ends and essential for securing the best results.

Any kind of economic organisation, so states the preamble to the majority report of the first Socialisation Commission, is possible to-day only with the co-operation of the workers, as the workers have become distinctly conscious of their indispensability in the labour process. But this also involves the risk that the workers in any undertaking may lay claim to the possession of the means of production. "In view of this the necessity of unity of action cannot be emphasised too strongly. Democracy in the industry, accompanied by unity in the management of the whole industry, the deposing of capital as the ruling power, the entrusting of business superintendence to resourceful managers—such are the leading principles of the new system towards which the aspirations of the workers are directed.

"The entire German mining industry is to be transformed into a united and practicable corporation. The private undertakings as well as those of the State will be transferred to the possession of this economic body. Thus a great national coal organisation will come into existence which will be directed by the workers, the management, and the community acting in concert. The Commission majority reject the notion of transferring the coal industry to a bureaucratic State undertaking."

In the section which explains the scheme of organisation the report repeats that the Commission

lays the greatest stress upon granting sufficient power and liberty of action to the managing organs of the corporation, as "it holds the removal of free initiative and industrial responsibility to be unthinkable." This does not contradict, in any way, the principles of Democracy. "Democracy certainly requires that every act taken by leading persons should be supported by the confidence and the desires of all concerned, but it also implies that such leading persons should have complete freedom of decision and action." Extensive powers should therefore be given to the directorate to be appointed. But such free initiative in itself will not yet suffice. So long as the new ethical motives, such as the feeling of social obligation, and social ambition, do not provide the highest incentive to the greatest output, the incentive of a compensation for better results cannot be dispensed with. "It is, therefore, absolutely necessary that the qualities of general managers and directors should not be appraised according to bureaucratic rules, but should be measured according to the customs of private industry."

The proposal of the Second Socialisation Commission, which also recommended expropriation and complete nationalisation, indicated that the largest possible measure of free initiative should be granted to the Directorate. The scheme of organisation must be of such a kind that persons of initiative should be encouraged to exert all their capacities in the interest of the community.

Although the entire plan of organisation of those

members of the Commission who recommended socialisation, excluded, as a matter of course, all bureaucratic tutelage, and aimed at securing for the leading personalities the most ample room for the exercise of their initiative, it was asserted by those members who held that private enterprise could not be dispensed with for the present, that the excellent intentions of the supporters of socialisation, unfortunately, could not be realised when the scheme should be put into practice. Dr. Vogelstein went so far as to declare that he preferred an economic dictatorship to the kind of socialisation that was contemplated, for the highest output simply could not be achieved with an organisation which resembled an eternal debating society.

Rathenau, for his part, took special exception to the fact that the Left wing of the Socialisation Commission, in agreement with the majority of the first Socialisation Commission, recommended the formation as the supreme administrative authority of the national coal organisation, an Imperial Coal Council of 100 members, which should comprise the leaders of the local mines and undertakings, representatives of the workers and officials in the mines, of the coal consuming industries and of the community. "100 gentlemen will sit in a Coal Council. They will be appointed in groups of 25 by the various sections, and will be composed of representatives of the trade unions, of business groups, of scientific groups; they will be constituted very much like a meeting of town



councillors; and this meeting of town councillors will choose an artificial burgomaster, consisting of five persons, and called the Coal Directorate. The result will be that this five-headed directorate, which has the appearance of the usual burgomaster office, will be able to achieve nothing more and nothing less than a municipal administration. Quite a different set of motives is necessary to achieve the maximum performance. The motive force of capitalist enterprise consists of the general manager, behind whom is the Board. Money is the incentive that urges him. And the second factor is success. The most successful director is all-powerful and immovable. He may be the most unpleasant and unlikable person in the world, but he doesn't leave when he is successful."

It is not obvious why successful leaders in industry should not also be able to create for themselves the strongest positions in the socialised economy; for the public and its organ, the Imperial Coal Council, is quite as much interested in success as is a board of directors or a general meeting of shareholders. And it is just as little apparent why the Coal Directorate could not be as successful in the practical organisation of industry as a directorate like the firm of Krupps. Is it because a 100-headed board of directors is an unwieldy and cumbrous instrument? Now this defect in organisation can be easily remedied. It is only necessary to invest, in case of need, the Imperial Coal Council with the functions of the general meeting, and to transfer the powers

exercised by a board of directors to a committee, consisting of the most efficient and enthusiastic members of the Imperial Coal Council, and Rathenau's "meeting of town councillors" has completely disappeared. The fallacy of this comparison was pointed out by Dr. Hilferding, as we saw in the previous chapter.

Heinrich Kaufmann, the member of the business committee of the Central Union of the German Consumers' Societies, has recently expressed the desire that in formulating the plan of organisation of the coal industry advantage should be taken of the experience of the voluntary Co-operative Societies. According to this experience, in addition to the executive organ, two supervisory organs are necessary, namely, the general meeting and the advisory committee. As in the coal industry, the Imperial Coal Council corresponds to the general meeting, a third organ would be attached between it and the Coal Directorate, which would be the proper controlling organ and could be formed from an executive of the Imperial Coal Council.

This would also be necessary, because otherwise, as the persons engaged in the coal industry were so strongly represented in the Imperial Coal Council, the German people would be exposed to the risk of being handed over to the dictatorship of a single section of producers. For this reason, a far stronger representation of the consumers, in fact, of the ultimate consumer, in the Imperial Coal Council, is essential.

The removal of such defects is merely a matter of improving the character of the organisation. They are not inherent in the principle of the scheme, as Rathenau would have one believe. In this question of principle he was also sharply opposed by Heinrich Kaufmann. In bringing out that contradiction in the basis of Rathenau's proposal, to which we have already made reference, Kaufmann argued as follows : " It is demonstrated that the owners are seldom the personal managers of the mining undertakings, consequently 'the strongest and most resourceful captains of industry' whom it is necessary to retain are not the owners, but the managers, officials, etc. There is no basis for the supposition that these gentlemen would not feel quite comfortable in a managerial position in a national organisation of the coal industry, if the necessary conditions were created. To the objection that a few of the outstanding private owners, such as Mr. Stinnes, would not be induced to enter the service of a national economic organisation, it should be answered that laws cannot be framed to suit exceptional persons, who are as rare as the real wonders of world history. A Coal Socialisation law cannot be a 'lex Stinnes.' "

*The Proposals of the Socialisation Commission.*

The final result of the proceedings of the Second Socialisation Commission consisted of two proposals, which were submitted to the Government and the public by means of the report of the

31st July, 1920. The first proposal which recommended the immediate expropriation of the employer, was drafted by Professor Lederer and the second proposal was drafted by Rathenau.

The first report was supported by Kautsky, Hilferding and Dr. Adolf Braun, as well as by the trade union leaders, Hué, Werner and Umbreit, and the second report was favoured by the socialist trade unionists, Cohen and Wissell. "

The broad outlines of the first proposal have already been adequately discussed. We shall here supplement some of the details of the scheme of organisation recommended by the report. The entire coal mining industry, as well as the industries for the production of briquets, for burning coke, and obtaining the immediate by-products, shall be attached to the German Coal Community, a Corporation of public utility, which will conduct all businesses for the service of the community. In return for appropriate compensation, to be fixed by law, all private and State undertakings will be transferred to the German Coal Community. The fixing of coal prices will be subject to the approval of the Imperial Government.

The organs of the German coal industry will be the Imperial Coal Council and the Imperial Coal Directorate.

The Imperial Coal Council will consist of 100 members, and these members are to be chosen as follows: 15 by the managers of the local mines, 25 by the workers and 10 by the officials of the German mining community, 15 by the coal-using

industries, and 10 by the ultimate consumers. As representatives of the interests of the community, 5 experts each will be appointed by the Reichstag and the Imperial Ministry of Economy, and 15 members, who have general technical and economic experience, by the Imperial Chancellor. Of the 25 last mentioned members, not more than 8 may be Imperial, Provincial or Municipal officials. Membership of the Imperial Coal Council will be for a period of four years, a quarter of the members retiring every year. The Imperial Coal Council will appoint the Directorate, which will consist of five members. Their term of office will last five years. Two-thirds of the members may summon a meeting at any time. Members of the Directorate will receive a fixed salary.

The National Coal Council will manage the business on the basis of an economic plan which shall be submitted each year to the National Coal Council, but it will have freedom of action and independent decision granted to it. It will have the right to embark upon independent policies and to draw upon a large margin of credit. The National Coal Council will appoint managers of local mines as well as the managers of the businesses. The general managers and the managers will receive fixed salaries and such bonuses as may prevail in private industries.

The wages and labour conditions are to be settled between the National Coal Council and the appropriate trade union of the workers and officials. The payment of workers and officials

will take the form of fixed salaries and bonuses. Works Councils, which are to be formed according to the Works Councils Laws of the 4th February, 1920, will choose the District Council for each locality.

As an alternative to this scheme of organisation of a socialised coal industry, which in its details may be capable of modification, and may indeed require to be altered, but which is properly constructed in its general conception, the Rathenau group put forward proposal Number 2. The chief difference between the two proposals consists in the preservation in the latter, at least for a time, of the co-operation of private enterprise and the rights of private property.

The broad outlines of Rathenau's proposal were as follows: The Supreme Technical and economic control of the mines must be transferred to an Imperial Coal Council, whose functions will be exercised by a Directorate, which will be appointed. The Imperial Coal Council will appoint expert committees, especially a technical and economic committee for the coal mines; a technical committee for the realisation of coal values and a socio-political committee.

The National Coal Council takes over the functions of a central syndicate, which receives the whole coal production at works cost. The latter is estimated for every producer separately. The works costs are statistically calculated, and checked by the balance sheet. Every place of production has to do its separate book-keeping

accordingly. The stocktaking at the start of the individual works will be checked by the National Coal Council, and is to be approved by the National Economic Council. All agreements with allied concerns, particularly with refining works, require the assent of the National Coal Council. The works costs are to include, besides direct cash expenditure, appropriate amounts for depreciation and reserves.

The net costs of the separate producers will form the basis of the pit-head price for the National Coal Council. To this price will be added the selling cost, which will be fixed by the Imperial Coal Council. The profit to be derived from the established price shall at least be so measured that, in addition to the amounts for interest upon and redemption of the investments advanced by the Imperial Coal Council, and for interest upon the capital sums invested in the undertakings, sums shall be provided for crediting bonuses for increased production and decreased charges; for a sinking fund for the gradual extinction of employers' capital, and for measures of general welfare and utility.

According to Rathenau's statement in the Socialisation Commission, his proposal has the advantage of securing to the coal industry the incentive of the employer and the captains of industry who are influenced by the desire for profit. On the other hand, the second proposal involves the practical surrender of the most valuable rights of the owners, namely, the fixing of prices, and the

realisation of large profits, which are precisely the strongest motives of private enterprise.

The nature of the problem which emerged from the Socialisation Commission may be realised. Coal prices increased so enormously that the general rises in prices which they provoked threatened disaster to the State and general economy. Why was this possible, in spite of the national organisation of the Coal industry, and the Imperial Coal Council? First, because the employers, through their organ, the Imperial Coal Union, understood how to present every price increase in so skilful a manner that the Government was completely impotent, in face of the pressure of the employers and the workers, who had been won over to their side; and, secondly, because the Imperial Coal Council, by reason of its defective constitution, completely failed to protect the interests of the community and to support the opposition of the Government to the policy of forcing up prices. Boundless profit striving manifested itself as the Alpha and Omega of employers' policy. And it is supposed that the second proposal, emanating from Rathenau, will put a stop to this profit hunting, by compelling the employers to deliver their products to the Central Syndicate set up by the Imperial Coal Council, at their net cost, plus a moderate and strictly limited provision for interest upon and redemption of the capital invested in the undertaking. The employers will indeed remain, their desire for profit will continue to be the driving



force of the coal industry, but they will be thwarted in regard to profit making itself.

Yet, to be perfectly accurate, Rathenau did not propose to deprive the employers and general managers of every chance of increasing profits above the modest normal amount; bonuses are to be credited for increased production and the lowering of costs. But, as Rathenau repeatedly declared during the discussions of the Commission, these bonuses are to amount to only a few dozen millions altogether, which is a ridiculous sum compared with the sums which mining capital has hitherto been able to secure. And will these 25 millions be sufficient to persuade the employers, who will have been put under the control of the Imperial Coal Council, to render willing and useful service, when they are prevented from aiming at unlimited profits? Would it not be a more rational step to eject the employers entirely, and to allocate the bonus of 25 millions for technical economies wholly to the industrial leaders? For there would be an extremely grave risk that the employers, although allowed to remain in possession of their undertakings, and yet prevented from getting the most out of them, would lose all interest in the business, would allow it to go to rack and ruin, would grant every wage demand, out of mischievous pleasure, and bring discredit upon the whole industry through premeditated sabotage.

Rathenau has asserted that a procedure of this kind is not to be expected in any case, for

"industrial ambition" plays a part in Capitalism as well as "material incentive," as if this ambition could not be put to good use in a socially-conducted enterprise by a wise system of rewards and recognition. In addition, Rathenau believes that the inspection of the undertaking, which will be achieved by a thorough audit of the accounts and control of the balance sheet, will facilitate the adoption of ruthless measures of compulsion, at any time, to meet cases of mismanagement. Rathenau overlooks the fact that improper actions may indeed be prevented, when they are exceptional incidents, but that malevolence and incapacity on the part of the whole employing class cannot be counteracted by the methods he indicates.

Thus, in carrying out proposal No. 2 there would be realised either an economic system, in which the employer, as regards his capitalistic functions, would be *de facto* excluded, and consequently transformed from a driving into a hindering factor, or, the whole national organisation of Rathenau is so much pretence, as capitalist profit-making would go on, in spite of the financial checks. In the Socialisation Commission it was pointed out to Rathenau that the financial control over the well-established capitalist undertakings would break down because of the skilful concealing of figures in the balance sheet, in spite of all obligation to submit the accounts. The composite undertakings, in particular, would be able to practice the most extensive and ingenious juggling with

the accounts. Rathenau contradicted this with the whole authority of the industrial and commercial expert: "If the few works which are concerned—there are only a small number of the large and about 200 of the small works—are obliged to keep a separate set of books and accounts for their coal department, I am prepared to state that any guarantee society would take the risk that any doubtful entries that might creep into these accounts would not exceed a higher proportion than 5%." Other experts from whom the author has obtained information about the problem of control are much less confident. However this may be, an antagonism of interests which manifests itself in ceaseless friction will disturb and paralyse the national organisation of industry and its functions, as long as private property and its influence are not completely extirpated. In our opinion, the objections raised by the champions of the first proposal against the second proposal are only too well founded: "Socialisation will be successful only if it abolishes the antagonism between private and public interests, and not if it compels the representatives of both interests to co-operate. If the system of private capitalism is to be maintained, and merely subjected to strict control, the effect will be to strike at the nerve of private initiative, without at the same time obtaining the advantages of the communal principle."

*The Present Position of the Socialisation  
Question.*

In the Socialisation Commission the representative of the Christian Trade Unions also supported the socialisation of the mines. The leader of the the Christian Trade Unions, Baltrusch, declared that miners did not desire to work for the capitalists any longer. "They desire that the original product of the earth, which cannot be increased at will, should go straight to the community. Not only the revolutionary workers, but also the moderate and reasonable workers, are in agreement with this desire." Further, the Centre Party Deputy and Christian Trade Union leader, Imbusch, declared in the National Assembly, on the 20th March, 1920: "Many persons to-day are surprised at the elementary demand for the socialisation of our industry. They would not be surprised if they had more insight into the position and feelings of the broad masses of the people. There is something healthy and natural in it which demands fulfilment." And the trade union organisations themselves expressly supported the recommendations of the Socialisation Commission. On the 25th July, 1920, a representative conference of the Free Trade Union of Miners, assembled at Bochum, passed a resolution which urgently pressed upon the Reichstag to proceed with the socialisation of the mines without delay, whereupon the Government, on the 5th August, solemnly renewed their socialisation promises. In addition, the Christian Trade

Union of Mine-owners, at a conference held on the 22nd August, 1920, and attended by 1,200 delegates, adopted a resolution which had been recommended by the Executive, which read as follows: "This Conference demands a further socialisation of the mines, to the end that the ownership of the mines shall be modified in such a way as to exclude the profits of private enterprise. The Conference expects of the Imperial Government that it will speedily submit a legislative project to carry this into effect."

The phrasing of the socialisation demand by the Christian Trade Unions, which does not refer to the nationalisation of the mines and the expropriation of mine capital, but only to the elimination of the profits of private capital, is explained by the fact that its champion, Baltrusch, was a supporter of Rathenau's proposal. He stated in the Socialisation Commission that the introduction of the sinking fund would facilitate the transference of the coal mines to the possession of the community within measurable time. Rathenau himself had declared his proposal to be so drastic, his inspection of capitalist undertakings so thorough, the redemption of private capital within about a generation to be so certain, that socialist trade unionists like Wissell and Cohen had been induced to support his scheme. Even Hilferding, who had laid bare the contradictions of Rathenau's project and prophesied a thirty year war for socialisation, conceded that it contained a multitude of restrictions upon the employer. But just for this

reason the employers would organise as strong opposition to Rathenau's proposal as they would against immediate socialisation. And Hilferding has proved to be right, for the second proposal found as little favour in the eyes of the employers, who dominate the Imperial Council of Economy and the Reichstag, as the first proposal. When the Government, instead of itself formulating a socialisation proposal, on the basis of the opinion of the Socialisation Commission, and submitting it to the Imperial Council of Economy, according to the constitution, simply submitted to the latter body the proposals of the Commission, there set in immediately a campaign of resistance and misrepresentation, to which the entire labours of the second Socialisation Commission have been sacrificed.

First of all, the Imperial Council of Economy remitted the socialisation problem to a committee, and then to a Commission of Seven, which met in Essen, and the majority of which fell entirely under the influence of the employers' representatives, Stinnes, Silverberg and Vogler. The majority of the Commission of Seven eventually produced a proposal, which entirely ignored all the findings and guiding principles of the Socialisation Commission, and, instead, supported the idea of a capitalist trustification, which Stinnes had developed in the Imperial Council of Economy, in October, 1920. "We must," he explained on this occasion, "organise our consumers, who have need of coal for electricity, gas, water,

transport, in large undertakings covering the widest possible area. Let me call them National Electrical Companies, National Gas Companies, National Transport Companies. These companies, according to their character, should have the industrial preponderance within the boards of directors, and, municipally as well as nationally, should hold the majority of the shares. I should empower and oblige these organisations under all circumstances to secure for themselves for a long period the basis of their power, be it black, brown or white (coal, lignite, water) Thus they will in reality get socialisation, communal management for the communal combinations. I should empower these combines to use 90% of their increase of output for themselves, the rest for the general benefit."

On exactly the same lines as Stinnes, Dr. Silverberg has developed the scheme of large capital. According to this, neither the State nor public bodies shall dominate the coal industry, but the associations of the "final industries," or, as Stinnes terms them, the "consumers." To these the great iron and steel works, the machinery and chemical factories, the electro works, in short, those large firms, concerns and trusts, which have already become the instruments of a few mammoth capitalists, is to be allotted the task of financing the coal mines, and exploiting them in the most rational manner. Any surplus output which may be obtained is to be reserved to the trustified final industries; the other industrial consumers are to

be rationed to the same extent as previously. The effects of this scheme were described by Hué in these words : " A relatively few undertakings with the largest capital would then be in a position to extend rapidly their dominance, which is based upon coal power, until the 'ideal' of the most powerful private capitalist trust, occupying a position of unprecedented monopoly, breaks upon the world. And now they venture to recommend to the people such a thing as this as 'socialisation.' "

Yes, this is indeed the case. The Commission of Seven of the Imperial Coal Council states in its majority proposals :

" From these considerations it will be seen that the highest degree of productivity can be attained by the formation of a natural community of interests between the coal mines and the coal-consuming industries. This applies equally to those final products, conceived in the widest sense, such as electric power, gas, water, communications, which are destined exclusively for home consumption, and to those for export. Rationally organised on these lines, the coal industry may achieve the highest output, at the lowest net costs. For this purpose one should leave to the mine owning finishing industries for their own use the main part of that surplus output which they produce over and above the present day direct and general demand."

The majority of the Commission of Seven thus make common cause with Stinnes and Silverberg



for a capitalistic trustification of the coal mines on vertical lines. They do not want the socialisation, but the Americanisation of economy and the setting up of the absolutism of the employers in the "democratic" Republic. Stinnes himself has openly acknowledged, in the speech we have quoted, that the sovereignty of the great capitalist magnates is the object that will be achieved by the "national organisation" which he and his satellites have recommended. The impulse in economic activity, he said, always proceeds from quite a small number of persons. And these few persons can achieve something only if they govern autocratically as capitalist magnates. "As a private man I would rather work for a business gratuitously than I would work as an official for a multitude of persons who understood nothing of the business." The economic autocrats, by the grace of capitalist chance and capitalist ruthlessness, fancy themselves to-day to be as indispensable, by the grace of God, as their lately-deposed political cousins. The comments which Hué made upon this plutocratic "grace of God" folly are only too justified: "Are then the 'captains of industry,' whose intentions are now represented to be benevolent, recommended by their past economic record to be unquestionable authorities in questions of national economy? Who but they controlled the means of production in old Germany? Who but they were the sole experts of the old regime in the economic questions of world politics? And what has it all brought us to? Enormous rises in

prices, profiteering during the war, and the collapse of our exchange, have plunged private capitalist economy into an unprecedented crisis. Are our "captains of industry," who, being the undisputed masters in the house are solely responsible for this disastrous economic policy, to be for ever regarded as the most reliable authorities? We must dismiss this, as so much bluff."

What is the nature of the part to be assigned to the workers in the Stinnes system which is recommended by the Commission of Seven? Very much the same as they have hitherto played in the syndicates and in the Imperial Coal Union. But there is a bait on the hook in the shape of profit-sharing. The Commission of Seven recommended: "An adequate participation of the officials and workers in the capital of the great impersonal undertakings, and consequently a share in their profits. The means for this will be the creation of small shares of 100 marks nominal value. The share participation of the workers and officials will form the basis of effective representation on the boards of directors."

As regards this proposal we can only endorse the opinion expressed by Hué, that the issue of shares of small denomination will carry the speculation fever into wider circles, but cannot become a means for increasing production: "We have known of cases where the representatives of the mine owners, by pointing to the 'higher wages abroad,' have persuaded the Labour representatives to stiffen wage demands. Naturally,

this would involve a commensurate price increase. What would it be like if avaricious small shareholders could be harnessed to the forces which drive up prices, with the object of securing 'reasonable interest'? It says much for the good sense of the mining people that they will have nothing to do with the small shareholding bluff."

The overwhelming majority of the German workers reject capitalist trustification, disguised as a communal organisation, and now, as aforetime, demand socialisation. Meanwhile, it must be confessed that owing to the marked abatement in the influence of the socialists caused by the issue of the elections and the reconstruction of the Government, the chances of Socialisation are extremely slight, whereas the Americanisation of German industry, and the amalgamation of the coal and associated industry make rapid progress every day. "One works amalgamation," writes Hué, "follows another. Within a few months trustified groups of mines, smelting furnaces, iron and steel factories, machine factories, electro works, etc., have arisen, with a total capital which exceeds more than a thousand millions. Hundreds of thousands of workers and officials are already subject to a central administration. These trusts include numerous businesses which are often separated from each other by whole provinces. Even before the war a close dozen of large firms, with their associated interests, dominated the whole of the Ruhr coal mines. In Silicia this predominance of a few mining magnates is even

more pronounced. In central Germany and in the mining district on the left bank of the Rhine, a small number of large concerns likewise wield industrial sovereignty. In the interim, the fusion of works into trust-like concerns has proceeded at an unheard-of rate. The object is to present accomplished facts. The ties among the separate concerns are being drawn even tighter. Before long we shall have the Imperial German Giant Trust consisting of a few huge industrial capitalist princes."

## CHAPTER VIII

## HORTEN'S SOCIALISATION SCHEME.

WHEREAS the Socialisation Commission proceeded on the principle of socialisation upon horizontal lines, the proposal of socialisation on vertical lines was made from another side. According to the opinions of both groups of the Socialisation Commission the whole of the coal mines ought to be re-organised upon national lines—according to the other proposal, socialisation ought to be applied only to a section of the mines, and include, at the same time, a corresponding portion of the iron and steel industry, the cement industry, and other coal-using industries. This proposal emanated from the mining assessor, Horten, and merited a far greater degree of attention because it came from an expert, who had acquired an exceptional amount of practical knowledge, first as a Prussian mining official, and later as one of the chief managers of the Thyssen concern. But even if the book which set forth Horten's proposal had appeared anonymously, its extraordinary

clearness and expertness would have drawn attention to the author and his ideas.

Horten's clear conception of the economic relationships is indicated by the reasons he advances for the necessity of socialisation. With a penetrating insight which scarcely anyone else has exhibited, he lays bare the causes and consequences of the price crisis which arose at the turn of the year 1919. The appalling dearth of all products could in no manner merely be attributed to the economically harmful conditions of peace, and the measures taken by the Entente, but was also to be traced to our own economic mismanagement. The increases in the coal prices amounting to ten and fifteen-fold, and in the prices of iron and steel amounting to between thirty and forty fold were bound to cause the general dearth, which will drive Germany to irreparable disaster, if a remedy be not found in the adoption of economic counter measures. The rises in coal prices have indeed been bad enough, and one of the chief causes of the price crisis ; but the dearth of iron and steel is worse still. In the case of the increase in coal prices, the Government and public opinion have, after all, been able to impose a check by means of the price control, but the great public has been practically helpless in face of the enormous rises in the prices of iron and steel. The appalling consequences of this price-driving, which is utterly without justification, are just beginning to affect the masses. The burden imposed by these increases in prices upon the subsidiary industries

amounts to many thousands of millions. If the Prussian railway service shows a gigantic deficit, at least two milliards of it are caused by the unwarrantable dearness of iron and steel. "In a similar manner the prices of iron and steel add to the expenses of coal winning. Our coal mines fall far short of their proper equipment of machinery. Mine-trams, drilling machines, watering engines, and similar appliances will have to be renewed in large quantities. All these appliances and tools, which are almost entirely made from steel, have been rendered exorbitantly dear by the soaring steel prices." In a similar fashion, the prices of steel react upon agriculture by causing a rise in the prices of foodstuffs, as the manufacture of agricultural machines as well as the production of fertilising material, have become extraordinarily dear. The same rise in prices makes its influence felt in the market for building materials, and thus severely cripples building activities, and accentuates the housing shortage. The prices which rule in shipbuilding have also been enormously increased by the dearness of iron and steel, and Germany is obliged, quite apart from its own building, to deliver to the Entente each year ships representing a total tonnage of 200,000. "Coal, iron and steel are the fundamental factors in our economy. Every rise in prices within these spheres of production involves automatic price increases for machines, building materials, fertilising material, and this brings about a housing shortage and a dearness in foodstuffs which provokes fresh needs and unrest

amongst the population. Only drastic measures, which are carefully considered and rapidly and intelligently carried out, will be able to prevent the complete breakdown of our economic structure."

Unfortunately, Horten, too, preached to deaf ears. The employers and profiteers felt their own positions in the general rise of prices to be too comfortable. Many believed with Stinnes that prices ought to be driven up to the level of world market prices—ostensibly to improve the exchange; in the iron and steel industries prices were forced up so much above the world market price that it was subsequently necessary to effect large reductions. It was in vain that Horten issued his warning: "The widely-spread opinion that an improvement in the exchange will be effected by adapting the home prices to the world market prices is quite erroneous.

"Every increase of prices at home exerts a detrimental effect upon the value of the paper mark, and therefore upon the exchange. Every attempt to adapt home prices to world market prices is bound to end in world market prices soaring still higher by reason of the further depreciation in the exchange." It is precisely the depreciation of the exchange, and the shrinkage in the purchasing power of the paper mark which makes possible the gigantic profits of speculation and the underselling of foreign competitors. This process more and more impoverishes the mass of the workers, and all persons with fixed incomes, but the employers and speculators are able to



accumulate profits to the extent of untold milliards. Those who benefit from this delirious capitalist policy are perfectly indifferent to the fact that the State, which pays a tribute of many milliards to the coal and steel magnates, and is, at least, obliged to grant increased wages and salaries to its workers and officials to save them from starvation, has fallen into the greatest embarrassment, and shows a deficit of startling dimensions. This will go on until Nemesis appears from without, until the Entente protects itself against Germany undercutting by anti-dumping legislation, prohibitive taxes, and "sanctions," and, in doing so, not merely inflicts a death blow upon the fraudulent German competition, but also, unfortunately, upon German national economy.

Horten believes that the Wissell-Möllendorff economic plan contains, in many respects, valuable suggestions, which could be made use of later on, within the limits of a practical socialisation policy. He considers the joint economic control in the iron industries, which has been based upon the model of the coal community, to be an appalling failure. The various discussions have been conducted by the employers and workers, in conjunction with the consumers, as the third, and the Government, as the fourth partner. The result has been the enormous rise in prices which has been mentioned, and which has burdened our economic activities with a tribute of about 15 milliards of marks annually. The joint management has shown that the Labour representatives, who are often

influenced by the employers into the bargain, are not in a position to ascertain exactly whether a proposed increase in price is actually made necessary by the wage improvements that have been granted and other increased costs of production. In such negotiations the so-called consumer, who has been called in as the third partner, is a similar failure, because in practice it is nearly always a trader who steps into this position. The latter is, moreover, completely dependent upon the capitalist (especially in the coal, iron and steel industries), and is interested rather in high than in low prices. The final result is that there is no thorough checking of net costs, and every time there is a strong majority within the deliberating and deciding body for unlimited increases of price. <sup>5</sup>

Thus the same picture everywhere presents itself in the coal, potash and iron industries, which are organised on the principle of joint management. 'The whole thing would be as amusing as a comedy, if it were not so terrible a tragedy as to threaten the ruin of our entire social fabric. The question which arises is: how can joint management be conducted in a branch of industry, such as coal, potash and iron works, which belongs to private persons, and not to the community? Either the interests of the community will preponderate in the economic bodies concerned, or the generally antagonistic private interests of the private owner. It is utopian to expect a satisfactory reconciliation of these two interests.'

At the very least it should be demanded that

nobody ought to be a member of a board of joint management who is in any way interested, as trustee, director, or manager, in the profits of the works, or is economically dependent on such a person.

Capable experts and economists may be had in plenty for such posts.

Even the Works Councils law, although in many ways it undoubtedly represents considerable progress, does not facilitate any settlement of the socialisation question. The Works Councils are alien bodies inserted into undertakings managed on capitalist lines. The capitalist opposition is likely to be too great, and, moreover, the dangers of influencing the Labour representatives are too great, as the experience of joint management has already shown. In the best case, a struggle along the whole line would break out between the employers and the workers, which would absorb a vast amount of Labour energy that would be better devoted to more productive purposes. Only in socialised undertakings, and upon the basis of the experience of socialised undertakings would there be any scope for the fruitful activity of the Works Councils.

In order to be able to correctly apprehend the socialisation problem, one must first of all discard various shibboleths. The first of these relates to the extravagance of State enterprises. This assertion only applies to those undertakings which are choked by a pile of bureaucratic regulations. That such industries have been unsatisfactory is not,

however, owing to the circumstance that the State is the owner of the concern, but solely because it has hitherto been thought to be necessary and desirable to force the State's economic undertaking into the straight jacket of State official administration, which practice has been very properly rejected by the Socialisation Commission. To this we may add that even the President of the English Mines Commission, Mr. Justice<sup>c</sup> Sankey, expressed the following opinion in his report :—

“ Hitherto, State management of industries has on balance failed to prove itself free from serious shortcomings, but these shortcomings are largely due to the neglect of the State to train those who are to be called on for knowledge and ability in management. The experience of the last few years has, however, shown that it is not really difficult for the British nation to provide a class of administrative officers who combine the strongest sense of public duty with the greatest energy and capacity for initiative.”

But the most tenacious shibboleth of all is that the “ initiative of the private undertaker ” must be preserved, a shibboleth which has even found an echo in socialist circles. In order to deal faithfully with this persistent idea, it is necessary to analyse the conception of the capitalist undertaker.

A sharp distinction must be drawn between two classes and degrees of development of a business. To the first class belong those works and industries which are in an early stage of development, and, further, those which perform rapidly changing

functions, or manufacture special products. The second class comprises those industries which have passed beyond the stage of development of the first class, and have reached the condition of routine and standardisation. Such industries are pre-eminently those which carry on mass production, of which the products vary slightly, and of which the labour processes are generally known. To the former class belong airship construction, wireless telegraphy, ornamental and luxury trades, the production of single special machines, and special transport arrangements, the erection of big and difficult buildings, and the like. To the latter class belong, for example, coal mines, the manufacture of steel, cement, locomotives, telephones, electric cables, motors, and so forth. All these industries have passed through the experimental stage, although inventions are still made in them, and improvements introduced. On the whole, however, if technical progress has not altogether ceased, the pace has considerably slackened. Mechanical mass production, in which organisation plays the chief part, has become the dominant feature.

“In the businesses coming within the scope of class 1, the prevailing influence is the inventor, or the enterprising merchant, who makes the development of his works his life labour. In these industries, private initiative, which is concentrated upon the founding and building up of individual concerns, is in every way decisive. One may recall the development of telegraphy by a Siemens,

and his endeavours to surmount the numerous difficulties involved in the construction of telegraphic apparatus, and later in the manufacture of the necessary transmitters and cables, and the laying of them over the country and under the sea, or the labours and pains of a Krupp, who was successful only after a generation of toil in producing cast steel, and introducing it into general use."

Now the manufacture of telegraphic apparatus has for long been the common property of technology, and the subject of mass production. Similarly, cast steel is produced in quantities of tens of thousands of tons by hundreds of factories. The founders of these industries are no more, and their works have been transferred to great joint stock companies. They have become undertakings of the second class.

This change in the character of the undertakings is accompanied by a change in the nature of the capitalist undertaker, as Horten shows. The latter is split into two completely different individuals, the capitalists or the shareholders, on the one hand, and the director or manager of the works, on the other. Again, in practice the shareholders are mostly represented by the various large banks, almost all of which occupy prominent positions on the directorates.

By the side of these bank directors a number of large shareholders often figure, but, in the majority of cases, as they have for a long time ceased to be the founders of the businesses, they maintain only a loose connexion with their works.

The conception of capitalist undertaker must, therefore, be divided into three varieties; first, the founder and director of developing undertakings, or undertaker A; secondly, the capitalist owners (shareholders or bank directors) of great undertakings carrying on routine mass production, or undertaker B; and thirdly, the particular manager or director of these works, undertaker C. As regards undertaker A, socialisation may be excluded, for the time being. Undertaker C must be maintained, and all capitalist impediments to his freedom of action removed. Undertaker B can be dispensed with and removed, without any harm coming to production, and the interests of the community. \*

The removal of the parasitic undertaker B is even essential, if the general economic activities are not to suffer considerable damage, because, of the two methods by which a business may be rendered profitable—the cheapening of costs of production, and the raising of the selling price—the owners of industries which deal in the necessities of life generally choose the latter method for the sake of convenience. The rise of syndicates is to be traced back to attempts to create monopolies in the vital industries, which are based on local conditions, such as coal mines, iron works, cement factories, in order to impose artificial restrictions upon production, and thereby force up prices. Before the war certain limits were set upon this tendency to create monopolies in Germany by the action of foreign competition.

During the war and after the war they have been permitted to develop to a degree which spells serious danger to the community.

As a classical example of such monopolistic industries, Horten takes the case of the cement industry. About 25 years ago the first cement syndicate came into existence. This syndicate allotted a definite quota to each of its works, restricted production accordingly, and raised prices. All means were used to combat new works outside the syndicate which were established in consequence of the attraction of big profits. The production of new and cheaper kinds of cement, such as slag cement, was hindered. "The cement syndicates even went so far as to pay to the large smelting works heavy compensation (in one case an annual tribute of 80,000 marks) in consideration of such works undertaking not to manufacture their slag into cement, but to throw it on the scrap heap as useless." Thus, the construction of new cement factories was frustrated, which explains the technical backwardness of this industry. Whereas a modern cement works turns out 6,000 barrels of cement per worker annually, the average output of the German cement factories is only about 1,000 barrels. "During the war, and since the Revolution, these conditions have worsened to an intolerable extent. The Government, in its innocence, made over to the cement syndicates the management of the cement industry. The consequence was that immediately two orders of the Federal Council forbade the construction of



cement works, and compelled the works remaining outside to come into the syndicates. As soon as the ring was closed, the pre-war price of 25 marks was gradually raised to 90 marks at the end of the war, and has since been increased to 390 marks per ton. Even at this price almost no cement can be obtained, and it must be purchased in illicit channels at twice and three times the official price."

According to Horten, the "initiative of the undertaker" manifests itself in a similar fashion in the iron and steel industries. Already, before the war, the syndicates had destroyed competition, and in the course of the war usurious prices running into many hundreds of millions of marks were squeezed out of the necessities of the country. Officials who had an inconvenient habit of checking prices were removed from their posts, and replaced by the paid nominees of the heavy metals industry, who granted all price demands put forward by the works without demur."

Moreover, something happened that was worse still. As iron prices were rising abroad, the great patriots of the heavy metals industry exported from the German works an enormous quantity of steel, as much as 250,000 tons each month, especially during the first nine months of the year 1916, and, on the other hand, refused to deliver the most urgent requisitions of the War Office and the Railway Administration. Large quantities of this exported steel found its way, via Switzerland, to France, where it was transformed into war

material, whilst the German War Office was needing iron bands, wire, etc., and the railway service was falling into disrepair and decay.

In the period of the most acute steel shortage, on the instructions of the German War Office, Horten himself quickly organised the sequestered Wendel Works of Lorraine, with 6,000 workers, as a State undertaking, and raised the steel output by 50% within six months. Both these works and other undertakings in Belgian territory were sabotaged by restricting the deliveries of coal, and other sordid methods. "This was," says Horten, at the conclusion of these painful disclosures, "the indispensable initiative of the iron and steel undertakers, whose offences, it is to be hoped, will yet be investigated and punished by the appropriate authority." After the war this initiative displayed itself in the fact that the price of steel for ship-building, which was 105 marks at the beginning and 300 marks at the end of the war, was forced up to 700 marks in the middle of 1919, and 3,500 marks at the beginning of the year 1920.

As regards the economic and political consequences of the policy of the syndicates, let us hear another expert: "The public do not sufficiently realise how enormously dear living has become through the insane prices of iron and steel. When the price of iron goes up, transport becomes dearer, and with it the necessities of life, the building of houses, and the rents of dwellings. Because he does not buy iron in a crude state, the ultimate consumer does not notice that these effects are

caused by the rises in the price of iron. The milliards which are concentrated within the hands of a few capitalists, bear new fruit in the election campaigns and in political agitation, and one should not be surprised when during the elections he sees at all street corners placards in favour of the German Nationalists and the German People's Party, which are paid for by the population in the shape of dearer transport, dearer food prices, and higher rents. In paying higher prices for food and the articles of daily necessity, the socialist workers also pay for the propaganda which was carried on by the heavy metals industry against socialisation, and is continued even to-day through the press, electoral agitations and Parliament."\*

It is Horten's conviction that the price crisis caused by the economic practices of the heavy metals industry will mean the collapse of Germany, unless energetic counter measures are adopted to lower prices, and thus facilitate the gradual recovery of the economic life of the community. Horten considers socialisation to be the only adequate remedy. Yet he entertains strong objections to "complete socialisation" upon horizontal lines. First, because he holds the separation of coal and steel to be barely practicable; then, because he considers sudden socialisation upon so large a scale, in present circumstances, to be a rash venture; thirdly, and chiefly, because he does not believe that the mere socialisation of the coal mines would exert an appreciable effect upon

\* Arthur Saturnus : *Die Schwerindustrie in und nach dem Krieg.*

prices. As he regards such a lowering of prices as the most important and essential preliminary to a restoration of normal economic conditions and the re-establishment of the German exchange, he puts forward a proposal for partial socialisation on vertical lines. In his view, coal and iron are the basis upon which everything must be built. It is quite inaccurate to assert that the iron and steel industries are much too complicated, and, therefore, are not ready for socialisation. "The exact contrary is the case. As we have seen, the scandals which exist in the steel industry cry out for socialisation more urgently than is the case with any other industry. Only a novice can believe that the business is too complicated for socialisation. In reality, we are dealing here with mass production of the very simplest kind, involving a few products which are manufactured in the very largest quantities, and remain invariably the same." His own action in successfully carrying out within a few days the nationalisation of the Wendel Works, with its 14 smelting furnaces, 3 steel works, and numerous rolling works, proves how easily such works can be transformed from private businesses into State undertakings.

Horten, therefore, proposes to socialise about 10-15% of the existing coal and iron works. "By so doing, a so-called composite works would arise, of about the size of the Gelsenkirchen mine works before the separation of the properties on the left bank of the Rhine, that is, with a coal output of about 10-15 millions of tons annually, and

employing about 60,000 to 70,000 workers and 4,000 to 5,000 employees. It is not advisable to commence upon a smaller scale, for it is essential that the socialised works should manufacture all the products of the steel industry, and be able, through the magnitude of the output, to exert a sufficiently strong influence upon the various unions and syndicates, especially the steel industry." This socialisation ought not to be accomplished in such a way that the nationalised undertaking would be conducted like a State enterprise, but the State should place the expropriated works under the control of a joint stock company to be formed against the surrender of the shares. The State would thus be the sole owner of all the shares of the company, but its management would be remitted to the company's authority.

Horten would hand over the running control in the administration of the company to a directorate of 12 persons. Corporate bodies of 50 to 200 persons, such as socialisation legislation has hitherto created for the Imperial Coal Council, the Imperial Economic Council, etc., are wholly useless for the necessary practical activity involved in the administration.

It would be sufficient for this directorate to be composed of two equal groups, viz., six representatives of the workers and employees, and six representatives of the community, who would be appointed by the Ministries specially concerned. The Government must also nominate the chairman, who would have the decisive voice in the event of

voting being equal. Ho ten contends that this directing authority would be sufficient, as the most effective control could be exercised by the public itself, to which should be submitted detailed monthly and quarterly reports, giving the wages, the net costs and the selling prices of the company. And in the light of the experience which we have previously had of the control of the most various parliamentary and municipal corporations, we too hold that the creation of such opportunities of control by everybody would be by far the best means to avoid mismanagement and bad economy.

The Central Administration of the Company should be divided into three departments: a technical, a business and a social department. The first department would deal with the technical side of the mine works, the smelting furnaces, steel and rolling works, equipment of machinery, new buildings, etc.; the second department would deal with the purchase of materials for the business, the sale of the products, accountancy, net cost sheets, etc.; the third department would regulate all social questions, such as the administration of workers' dwellings, and the building of new ones, the acquisition of articles of food, and the fixing of its prices, the engagement and dismissal of workers, questions of wages and working hours, the drawing up of regulations to prevent accidents, insurance against sickness, all questions of workers' education and instruction, of maintenance, of sports, etc. The administration of these social matters shall be placed in the hands of the workers

themselves, which will prove a means for promoting cordial co-operation between the workers and the administration. On the other hand, "it is obvious that a decisive participation cannot be guaranteed to the workers and employees in the settlement of technical and business questions, and such a right would not be demanded. The worker only asks for a full insight into the business conditions of the works." As the settlement of social questions will be closely bound up with technical and business questions, the workers will be allowed the fullest insight into the whole of the business side of the company, besides their representation on the Directorate.

Horten contends that by means of rational economic methods the wages of labour can be considerably raised, without its being necessary to abandon efforts to effect a lowering of prices. Proof of this is furnished by the American Steel Trust, which pays ten to twenty times the amount of wages paid by the German Steel industry, whilst maintaining steel prices which are about the same as, and at times even lower than, German prices. The introduction of such rational methods into business as are implied in his socialisation proposal, would make a remarkable contribution to the social uplifting of the masses.

So far as practicable, the officials of the works shall be taken over when socialisation is put into practice, at the same salaries and under the same conditions as hitherto. "Only the method of profit-sharing which obtains among the chief

managers must be altered. This need not be based any longer upon the largest possible profits, but upon the most rational methods of running the industry, the highest output and lowest net costs

“The organisation of the company in the subordinate departments, that is, in the separate works, each with 2 000–6,000 workers, and in the business sections, each with 100 to 400 employees, would be set up on similar lines to the central administration, inasmuch as the leading technical and business officials would everywhere be associated, on equal terms, with representatives of the works in the arrangement of social concerns.”

From this co-operation of the works, and this form of organisation generally a strong revival of interest in the work and a large addition to the output of labour may be expected, as is shown by the experience in the building industry under a similar system.

“Even communistic and revolutionary Labour leaders, after listening to the proposal here outlined, have given their express assurance that, as soon as the administration of the works was organised upon the principles here set forth, they would honourably co-operate with all the old zeal for work. Above all, the thought that the profit of the Works would go to the community, and not to the individual employer, would be a considerable incentive to the worker to fulfil his duties in the most conscientious manner. Moreover, the worker will be specially stimulated to give the



highest output if it is clearly pointed out to him that the result of this experiment will decide whether Capitalism or Socialism shall prevail in the future."

Horten maintains that his scheme for partial socialisation will not only introduce rational methods into the nationalised undertaking, and an improvement in the lot of the workers immediately concerned, but it will, above all, promote a gradual restoration of the entire economic life of the community. The continuous publication of the entire net costs of the production of coal, coke, crude iron, steel, and their products, will be the best means of preventing the huge frauds which are practised upon us in the way of business and manufacturing secrets. It would be the best method of exposing all the unjustifiable price driving which has been going on. "At one blow the culpability of monopolistic Capitalism will be made apparent, and the domination of our syndicates will collapse like a house of cards. Efforts will be made to avoid the disruption or displacement of the syndicates, as undoubtedly they possess many advantages. By means of its control of a relatively wide field of production, and the publication of the net costs, the State will be in a position, supported by the whole of public opinion, to impose its conditions, without resistance, upon the lords of monopoly, and thereby gradually liberate our economic life from an intolerable burden."

Horten describes in energetic language the additional effects upon the community of the kind

of socialisation which he recommends. The cheaper production of coal, iron, cement, etc., would permit an extensive construction of miners' dwellings, as well as houses for other categories of labour, in which milliards could be saved. The restoration of the devastated territory in Belgium and Northern France would be made cheaper by milliards. The entire housing problem would then be brought closer to a solution.

The next step would consist in the transference of the electrical industry. The expropriation of the great electrical firms, and their transference to a State joint stock company do not present the slightest difficulty, as we are here concerned with the simplest kind of mass production of motors, transformers, cables, etc. "The importance of this work for an elaborate electrification of the country is obvious. The necessary machines, motors, transformers, cables, conductors, etc., could henceforth be produced on the lines of consecutive mass production, and at a fraction of the cost, which is to-day exacted from the community by the ring of employers. A saving of milliards would thereby be effected. The provision of cheaper telephones and telegraph cables would enable the Postal Administration to carry out promptly the improvements in the service which are urgently necessary." The electrification of the country and the adoption of rational methods in the machine and building materials industries would pave the way for great agricultural improvements, and the increase of agricultural production."

In the *Rheinisch-Westfälischen Wirtschaftskorrespondenz* of the 22nd April, 1921, the Right-wing Socialist, Max Cohen, member of the Imperial Council of Economy, wrote: "It is an inconceivable state of affairs, which shows a grave dereliction of duty on the part of those which have ruled the German people since the Revolution, that no cut and dried plan for reconstruction was in existence, but had first to be elaborated *ad hoc* under the pressure of circumstances." It is certainly inconceivable, but the reception which Horten's proposals have hitherto found among the public generally, and among the German Socialists in particular, is not less inconceivable. Within the limits of the concrete economic problem Horten's book is undoubtedly by far the best, the most expert, the most thorough, and the most convincing of all that have been written in Germany about socialisation generally. And this book and the scheme which forms the basis of it have not been considered worthy of being mentioned once in the Socialist Press, and during the great socialisation discussions at the party and trade union conferences. It is equally inconceivable that this expert—the only one who could meet Stinnes, Silverberg, Vogler, on equal terms—was neither appointed to the Socialisation Commission nor to the Imperial Council of Economy. The impression one receives is that for many socialist politicians and trade union leaders only those experts carry any weight who represent the most unyielding views of the employers. Or is it so intolerable

for self-conscious minds to recognise the superior knowledge in a special department of somebody, when this somebody is not an opponent? However it may be, so long as our socialists boycott excellent ideas and strong personalities, instead of eagerly welcoming them and putting them in their right place, German Capitalism will not need to fear anything from socialisation.

## CHAPTER IX

## GUILD SOCIALISM.

GUILD Socialism, which has developed in England since the last ten years, is based on the idea that the trade unions, which have hitherto been the means for securing better wages and conditions of labour within the capitalist process of production, should themselves be transformed into organs for the socialised production of goods. The Trade Unions are to do for modern industry what the Guilds accomplished for handicraft and industry in the middle ages. The idea-complex of Guild Socialism contains strong syndicalist elements, which, on their side, originate from the ideas associated with anarchist Communism. The mediæval Guilds have never been so glorified and so enthusiastically recommended as the model for the reconstruction of modern production and social life as by Kropotkin. These Guilds, which united priests, learned men and artists, as well as merchants, handicraftsmen and peasants—there were even guilds of beggars, executioners, and fools—of which the federation led to alliances among towns and groups

of towns, represent for him "an immense attempt at securing mutual aid and support on a grand scale, by means of the principles of federation and association, carried on through all manifestations of human life and to all possible degrees." And Kropotkin describes with exuberance the success of this guild principle: "At the beginning of the eleventh century the towns of Europe were small clusters of miserable huts, adorned with but low clumsy churches . . . the arts, mostly consisting of some weaving and forging, were in their infancy; learning was found in but a few monasteries. Three hundred and fifty years later, the very face of Europe had been changed. The land was dotted with rich cities which were embellished by towers and gates, each of them a work of art in itself. The cathedrals, conceived in a grand style and profusely decorated, lifted their bell towers to the skies. . . . The crafts and arts had risen to a degree of perfection which we can hardly boast of having superseded in many directions. Over large tracts of land well-being had taken the place of misery, learning had grown and spread." (Kropotkin, Mutual Aid.)

Kropotkin extols the achievements of the Guilds, but he forgets to compare these with the whole historical significance of the Guilds, as well as to indicate the limits and defects of their constitution. To mention only some things, their corporate restrictions, which created sharp antagonisms among the Guilds themselves, which set up ever higher barriers between them and the "serfs," the

journeymen and assistants; above all, their attitude towards the countryside, which made the towns the masters and exploiters, and the peasants the ruled and exploited. He forgot that the "extension of learning" did not preclude the intellectual domination of the Church, and the darkest superstitions, that the Inquisition and periodical Jewish pogroms on a large scale disgraced the epoch of the Guilds. Generally speaking, the influence of the Guilds and the towns upon the whole communal life fell very far short of what Kropotkin's enthusiastic description would lead us to expect. Towns and their population formed only a small percentage of the total population, which, moreover, was far less dense than modern populations. It is only too easy for uncritical observation to exaggerate the dimensions, the splendour, the wealth and the significance of the mediæval towns. The population of Frankfurt in the year 1440 was estimated by Bucher to be 8,000 souls, that of Nuremburg amounted, according to Lamprecht, to 20,000 souls in 1449. The wealthy and politically important Zurich contained 6,000 inhabitants at the time of Zwingli, and the population of London, the proud metropolis of English industry and trade, did not amount to more than 35,000 persons in the year 1377, while the next largest town in England only numbered 11,000 inhabitants.\*

For all these reasons, it is not permissible to hold that forms of production and social institutions,

\* Thorold Rogers: *Work and Wages*.

which were fit to be the basis of economy and the lever of development in the quite differently ordered Middle Ages, could now, without further alteration, play a similar part in modern production.

That it was possible for syndicalist ideas to gain a certain influence on the English Labour Movement is explained by the fact that it was precisely during the decade 1900-1910, when the working class won numerous Parliamentary victories and carried through a series of social reforms, that the position of the worker did not improve, but became worse. In the year 1909, the Executive of the Labour Party, in its report to the 9th Annual Conference at Portsmouth, called attention to this fact, which received full confirmation in a report of the Board of Trade in 1913. According to this report, which gave particulars of rents, retail prices and wages in 1905 and 1912, prices advanced 13.7%, wages between 2% and 5.5%, while the capitalists increased their income by 22.5% per annum. "This was a period of Labour triumphs in Parliament, a period of Liberal social reforms, which was claimed by its authors to be unprecedented in the annals of legislation."\* No wonder that doubts arose not only as regards the blessings of Capitalism and Liberalism, but also touching the effectiveness of parliamentary action, and that the value of those syndicalist ideas began to be tested, which had been propagated by the Socialist Labour Party of Scotland, and by French

\* M. Beer ; *A History of British Socialism*,



trade unionism. All these economic and idealistic influences, which in the years before the outbreak of the War had manifested themselves in a large increase in wage struggles, gathered strength in the course of the war, which broke down the still existing barriers between men and women, between skilled and unskilled labour, between manual work and mental work, and revolutionised the sentiments of the masses. In addition, the founding of a Socialist daily newspaper, *The Daily Herald*, and the organisation of the Triple Alliance of Miners, Railwaymen and Transport workers, which followed in April, 1914, were pre-war indications of the growing activity of the English Proletariat, for which the problem of socialisation became more and more a practical daily question. For the solution of this question the spokesmen of the Guild Socialism which arose during this period, proposed a programme, which represented a kind of synthesis of syndicalism and democracy.

According to the views represented by Penty, Orage, Hobson, Cole and many others, the means of production are to become the property of the State. But production is not henceforth to be managed by the State, by means of its bureaucratic machinery; instead, its administration is to be transferred to the workers engaged in the industries concerned. The Trade Unions will be transformed into National Guilds, which, as productive co-operative associations, will take over the business of the branch of production. The Guilds will

have complete liberty as to their internal administration. A composite body, composed of representatives of the Guild and of the community, shall decide questions relating to the acquisition of raw materials, and the prices of the commodities to be produced.

The rejection of State conduct and regulation of industry, in the manner attempted by Bolshevism in Russia and Hungary, is traced back by Otto Bauer, not to trade union and syndicalist tendencies, but to the theories which sprang from the "specific Anglo-Saxon variety of Democracy. . . In England Democracy developed upon quite different lines from the Continent. There Absolutism had destroyed the feudal 'liberties' of the individual, of the towns, and of the provinces, and imposed its bureaucratic machinery of government upon the whole country. The middle-class Revolution did not reverse this process, but checked it. After the middle-class Revolution, the country continued to be ruled by the bureaucratic machinery, which was conducted by a central authority, and all that was altered was that this central authority itself no longer comprised an absolute ruler, but was established and controlled by a Parliament based upon popular suffrage. It was different in England. There, Absolutism was never developed, and was never able to create the bureaucratic apparatus of government. The feudal 'liberties' of the individual, of the towns, of the counties, were never destroyed. The middle-class Revolution rather

consisted in the fact that the 'liberties,' which the barons, the gentry, the urban patriciate had wrested from the Plantagenets, the Tudors and the Stuarts, became, first, the heritage of the middle-class, and eventually that of the whole population. Thanks to the fundamentally different nature of its origin, English Democracy bore quite other characteristics than Continental Democracy. In France the whole population elected the Parliament, out of which was formed the Government, and this government administered and ruled the whole country through its bureaucracy; the individual citizens and the separate groups of the population could influence the administrative machinery only indirectly, through their participation in the Parliamentary elections. In England, on the other hand, the people administered their own affairs in the churches, the districts, and the counties; it exercised self-government in the local self-governing bodies. The 'self-government' of the local associations inside the State is the basis of English Democracy. Guild Socialism now transfers the principles of English Democracy from the political to the economic plane."\*

The manner in which Guild Socialism conceives of the organisation of production by the Guilds, and the divisions of functions between the Guilds and the State, is best described by the concise summary of M. Beer: "The State, as the representative of the whole of the consumers, should own the means of production, and should resign

\* Bauer: *Bolshevismus oder Social Demokratie*.

them to the Guilds, upon definite conditions framed in the interest of the consumers. The Guilds would take over and manage the process of production. The State is to regulate the prices of commodities, and fix the quantity, of goods which are needed for national consumption, and generally to prevent the producers from exploiting the community, or dictating to it what it shall consume. "The conditions upon which the producers consent to serve and the community to accept their service must be determined by negotiations between the Guild and the State. The Guild must preserve the right and the economic resource to withdraw its labour; the State must rely, to check unjust demands, on its equal voice in the decision of points of difference, and on the organised opinion of the community as a whole." In case of conflict between the two associations, "we must look for our ultimate sanction to some body on which all the citizens in their various activities are represented." This division and co-operation of powers implies the establishment of two legislatures—the Guild Congress and Parliament, the former for all matters concerning production, including science and technical education, the latter for all other matters; there will thus be Guild laws and State laws. A committee appointed by both legislatures would decide cases of dispute.

Naturally, the Guilds themselves do not consist solely of manual workers. They comprise, according to Hobson (*Guild Principles in War and Peace*),

“those who work with their heads, and those who contribute their physical labour power. Directors, managers, chemists, engineers, technicians, skilled and unskilled workers—everybody who can work—all are included in the membership. Considered from the statistical point of view, the trade unions must form the kernel of these national guilds; but they must go over to the larger bodies for their own advantage.”

Cole expresses himself to a similar effect: “The basis of the Guild is the trade union, but it will have to include all the officials and technicians of the industries concerned, in quite a different manner than is the case to-day with the so-called industrial unions. In our attitude towards the trade union movement we have that object in mind; we are always trying to create the sort of organisation that would be capable not merely of overthrowing capitalism—which is a comparatively easy job—but of replacing capitalism, which is a very much harder job. Therefore, we are always trying, not merely to get the various sectional unions of manual workers amalgamated on industrial lines, but also to bring those unions into the closest possible relation with the unions of brain workers and technicians, with the ultimate object of bringing the whole of the workers in the various industries into a single organisation.”

Then the Guild, which will arise in this manner, would be mainly concerned not with looking after the interests of its members in an economic sense, but with carrying on the industry. “The main

job of the Guild would be not protection, not collective bargaining, not safe-guarding the standard of life of its members ; it would be turning out the goods, seeing that the industry was efficiently conducted, actually running and administering the industry. That may seem a very big change from the trade unionism of the present time, but it is not a change for which there is no preparation." The claim to control industry on the part of a trade union which has grown in power and authority is a very old one. A beginning is made by imposing upon the employer the conditions under which he shall employ the workers, limiting his supremacy by negative restrictions.

"Of these negative restrictions many may tend to hamper the efficiency of industry in many respects. I do not say in all respects, because very often the regulations imposed by the trade unions have actually help industrial efficiency, but in many cases necessarily these regulations hinder efficiency. They do so for this quite simple reason. At present the trade union is kept outside the actual control of industry. It cannot give orders, it cannot say, 'You shall do this,' it can only say : 'You shan't do that.' That means that the trade union is always in the position of obstructing other people from doing things as they choose. There, again, you have an example of the pulls of the classes which at present exist in industry ; their pulling one against another hinders industry, makes industry necessarily inefficient under the present system. Now, as the

trade unions go on gaining in power, they more and more try to turn those restrictions which they have imposed on industry into a positive form—and actually to run things themselves.”

According to Cole, perhaps the most remarkable indication of the growth of and change in the tasks of the trade unions is the rise of the Shop Stewards' Movement — this revolutionary movement of workers' councils, which principally in the engineering and allied industries has made the attempt to convert their negative restrictions on industry into a form of positive control over industry. The attempts to obtain control of the mines and the railways are obvious expressions of the new tendency in trade unionism. “Both the railwaymen and the miners no longer content themselves with the imposition of restrictions on the way in which industry is run, but demand that they shall be admitted to a share in the control of industry, and shall have the right to a certain extent to lay down the conditions under which industry is to be organised in the future, and to share in the positive task of organising it.” In both cases you can see the bridge from the Trade Union to the Guild being built, and that process is likely to be immensely speeded up in the next few years, if the result of the movements which are going on in the building industry and the mines at present is a successful result. Suppose the miners succeed in securing the greater part of what they are now asking for, an enormous impetus will be given to the demands of the workers in other industries for

similar concessions. As soon as we get the mines nationalised under conditions approximating to the demands which the miners are putting forward, some other industry will step into the place which the miners have left vacant. A crisis concerning nationalisation and democratic control will develop in some other industry, and the same battle will be fought out again; only there will be this difference, that whereas now, nationalisation and democratic control have the air of an untried experiment, then the workers who next demand it will have behind them the precedent which the miners will have created. That, amongst other things is the main reason why the miners' battle is the battle of all the workers—the battle of everyone who cares for democratic organisation of industry, and why the whole Labour movement ought to stand solidly behind the miners not only in their demand for national ownership, but also in their demand for democratic control."

The distinction between nationalisation and democratic control is defined by Cole in the following manner: "I do not want, and no Guild Socialist wants, the miners or any other group of workers to own the industry in which they are concerned. In the situation which has arisen to-day we stand with the Collectivists in the demand for national ownership of industry. The difference between our theory and other theories that are put forward for the control of industry when nationalised lies simply in our belief that when you nationalise an industry that does not



mean that the public has got to administer it, or rather that the public has got to appoint bureaucrats to administer it for them. We believe the best way of running an industry is to hand it over to be worked by the people who know the best possible way of working it efficiently; on the one hand by the technicians who understand how the industry is to be made efficient on its scientific and commercial side, and on the other hand by the manual workers without whose co-operation you cannot get the goods turned out.”\*

In his preface to the German edition of this work of Cole's, Wolfgang Schumann remarks that a systematic comparison would reveal a surprising number of points of agreement with Continental conceptions of socialisation.

As a matter of fact, when the recommendations of Guild Socialism were compared with those of Otto Bauer, Kautsky, and particularly the proposals of the Socialisation Commission and Alfons Horten, there appears to be full agreement upon principles. In each case, there is the demand for “nationalisation,” but at the same time the rejection of the bureaucratic conduct of industry by the State itself. In each case there is the proposal to create self-governing bodies, to be managed by representatives of the technicians, the workers, the State experts, the consumers, in short, the whole community. And when we contrast the concrete proposals of both sides, we find astonishing parallels. Horten had, for instance,

\* G. D. H. Cole : *Guild Socialism*.

recommended that the national joint-stock company, which should manage the socialised composite industry, should have a Board of Directors of 12 persons, half of whom would be appointed by the Government, and half by the workers and employees in the industry. The Miners' Federation of Great Britain, on their side, had proposed that the supreme control of the socialised mining industry should be vested in a mining Council, of which half the members would be appointed by the Government, and half by the Miners' Federation. The only difference consists in a slight variation in the number of members of the managing body. The agreement in leading ideas extends so far as the recommendation to include in the socialisation project the coal-consuming industries, for the Bill of the Miners' Federation provides that power be given to the Mining Council to assume control of iron, steel and other works, which are carried on in connection with the mines.

Guild Socialism, therefore, offers no kind of antagonism to that form of socialisation which is represented by the theoreticians and practical men in Germany and Austria. Moreover, Guild Socialism does not pretend to set up a scheme of socialisation, which would be equally valid for all countries and all circumstances.

Thus Cole himself says: "All over the world the trade union movement is gradually tending in the direction of making constructive and clear its demand for a real share in industrial control. That demand takes different forms. . . It shapes

itself in different ways in the different countries of the world, but there is the same central idea, the same essential driving power behind it. . . . You do not want exactly the same movement, exactly the same formal doctrine for all these different countries ; you want to get a certain central idea, driving forward the working class movement over the whole world, but you want that idea to take different expressions, assume different forms, according to the different structure of economic society in the various countries and the different temperaments of the various peoples of the world. You want the various democracies, the various proletariats, to be organising in such a way that they can effectively co-operate, not organising all the world over in accordance with some hard and fast mechanical system which ignores national differences."

Even the syndicalist element, which undoubtedly lurks in Guild Socialism, does not seem to us to predominate to such a degree that exaggerated decentralisation would jeopardise the indispensable unity of a national plan. In the concluding chapter of his book, *The State of the Future*, Ballod utters a timely warning against the extreme tendencies of Syndicalism : " A beneficial Socialism, which shall achieve general prosperity, can only be worked upon a centralised basis, by means of which the egoism of separate branches of industry will be curbed in the interests of the community. Whoever advocates Syndicalism, or anarchistic productive co-operative

associations, separate from each other, shows that he does not know his Marx." As we have seen, Guild Socialism does not intend to bring into being such productive co-operative associations, without consideration for the needs and welfare of the community. The technical side of the business only is to be entrusted to the administration of the Guilds; the plan of production is to be laid down by the community, which will also have the last word to say in the fixing of prices.

The manner in which, according to English ideas, the community ought to share in the management of production, may be indicated by the proposals which Mr. Justice Sankey, the Chairman of the Coal Commission, made in his report: "The mines should be divided into 14 districts, and in each district a District Mining Council shall manage in its district, subject to the direction of the Minister of Mines, the entire coal extraction, the regulation of output, the discontinuance of or the opening out of mines, trial sinkings, the control of prices and the basis of wage assessment, and the distribution of coal. This District Mining Council shall consist of a Chairman and Vice-Chairman, appointed by the Minister of Mines, and twelve other members, of which four will be elected by the workers, and the remaining eight members shall be appointed by the National Mining Council. Among these eight members four shall represent the consumers, two each the technical side and the commercial side of the industry. The National Mining Council itself shall be elected by the District Mining

Councils, in such a way that one member shall be appointed for every five million tons, which will give a total of 50 members with a contemplated output of 250 millions. There shall be elected by and from the members of the National Mining Council a Standing Committee of 18. Six shall represent the workers, six shall represent consumers, and six the technical and commercial side of the industry. Further detailed accounts shall be made public, by means of which there shall be available the financial quarterly return from each district; the output from each district; the number of persons employed above and below ground; the cost per ton of getting and distributing coal, showing proportion due to wages, material, management, interest, and profit; the amount of coal produced per man per shift."

As against the proposals of Mr. Justice Sankey, the Labour representatives on the Commission demanded a stronger representation of the workers in the district councils, and in the National Mining Council, but declared themselves to be in substantial agreement with him upon other matters.

There may be differences regarding the details of the scheme of organisation, when compared with those of Horton and Lederer, but here we are only concerned to show that the English Trade Unionists and Guild Socialists do not contemplate the setting up of a system of industrial corporations which would ignore the solidarity between the group interests and the community, or the division

of the State and Society into completely independent guilds.

It remains to deal with another objection to Guild Socialism, and generally to the conduct of production by self-governing bodies. It may be said that these self-governing bodies avoid bureaucracy from above only to fall into bureaucracy from below, as the active participation of the workers and employees in the administration of their various departments would, when once the strong and the decisive voice of the employers are withdrawn, be transformed into debating clubs, whose everlasting grumbling, carping and interruption would hinder the executive organ from working smoothly and efficiently.

That such a danger exists when the organisation of the self-governing bodies is defective and unpractical, cannot be denied, especially as the Russian experience of self-government through works' councils and with works' committees has been so unfortunate. Everything, therefore, depends upon finding the proper form of organisation for the self-governing economic bodies, whether they be called guilds or by some other name.

Both the plans of Lederer and of Horten provide for forms of administrative schemes which would exclude, from the start, any obstructive intervention by ignorant and officious persons. A nation such as the English, which is accustomed to rational methods of self-government, and is so eminently practical, may be trusted to discover the appropriate forms for industrial democracy.

Cole himself does not fear that the right to democratic control would develop into a desire to interfere, at any price, with consequent damage to production. He is, however, convinced that a sufficient number of persons will be keen to exercise a real control over industry. "I believe no less," he continues, "that if you once get industry decently organised it will cease to occupy the disproportionate place that it occupies in men's minds to-day, and instead of being the main thing in our minds it will sink back into being a quite minor and humdrum thing about which we need not bother."

## CHAPTER X

## THE PATH TO SOCIALISATION.

IN the course of our exposition we have become acquainted with various roads to Socialism, and different methods of socialisation. First, there is the "complete socialisation" whereby the Bolsheviks and their Communist friends in Hungary have attempted to destroy Capitalism at one blow, and replace it by a socialist system constructed on a uniform plan. This foolhardy experiment ended in Hungary with social catastrophe and the triumph of the Counter Revolution. In Russia, the Bolsheviks have succeeded in maintaining their rule for  $3\frac{1}{2}$  years, but only in the form of a ruthless dictatorship, even as against the Proletariat itself, and at the price of an unprecedented dislocation of the entire economic life. Mere worshippers of success may be sufficiently imposed upon by the mere fact that the Bolsheviks have been able to keep in power so long, but more exacting minds will ponder over the social consequences of the Bolshevik reign of force. These consequences, however, are of such a kind that



every Socialist who believes economic and cultural progress to be the essential part of Socialism, must be deterred from any imitation of the Bolshevik methods.

Moreover, we saw that the leading minds among the Bolsheviks themselves—we need only recall Radek and Professor Varga—declared the retrogression of production and the lowering of the standard of life of the industrial Proletariat, resulting from the Communist upheaval, to be an inevitable effect of this upheaval itself, and not an accidental phenomenon. Given sufficient time, the standard of life of the proletarian masses in communist countries will fall considerably below that of the capitalist countries. As compensation for this, Professor Varga promises that the Proletariat will be satiated with intellectual and artistic enjoyments. How these aesthetic and moral compensations appear in reality we may observe in Russia. Arthur Holitscher described in particular detail, how at least, they try to enliven the Russian people, to whom they cannot give any food, by sports, by gorgeous operatic entertainments, by fantastic dances, by all kinds of mummery, which masquerades as art. Science, art and popular education are hopelessly crushed, on account of the terrible privations which paralyse all social and intellectual energy.

At a time when the entire urban population was suffering fearful deprivations and impoverishment, how could art and intellectual activities be expected to flourish, whose material and psychological

prerequisites are precisely economic prosperity and moral receptivity, as has been long apparent to every sociologist and still more to every Marxian sociologist. Periods of economic disruption and civil war are always periods of intellectual and moral degeneration in which political and religious superstitions grow apace, adventurers and charlatans of all kinds find their opportunities, but in which there is no room for serious creative work in art, science and politics and for real civilising activity.

We have felt too well in Germany the mental and moral atmosphere of a social system out of joint. How suffocating it is in Russia has been betrayed by Holitscher in his book.

Consequently, so far as Socialists in West Europe are concerned, although Socialism is not only an economic but an educational and humanitarian programme, the Russian methods are quite out of the question.

Then we meet with that form of socialisation which represents a kind of compromise resulting from proletarian pressure exerted in the capitalist system, viz., joint control, as it has been carried out in the Coal Industry and in the Iron Industries Association. The essentials of the capitalist system have been left intact by this control. Production has remained commodity production, and the capitalists are still the managers and owners. All that has happened is that the workers and the trade unions immediately concerned have been conceded representation in the businesses and

their federations the syndicates, as also in the Industrial Councils and the Imperial Council of Economy, so that they should be able to attend to the interests of the workers and employees, co-operate in the fixing of prices, and exercise control over the entire economic activity.

But we saw, especially in the case of the Imperial Coal Council, conducted under joint management, with this kind of participation in the economic control by representatives of the workers, consumers and the State, that it is in no degree adequate to combat the dangers to the general interest arising from the monopolist policy ruthlessly pursued by the employers. Everybody except those immediately interested in this form of organisation is of the opinion that this form of joint control is a complete failure. In a leading article of *Vorwaerts*, of the 29th April, 1921, a party member active in one of the trade associations complained "that the industry offered a most stubborn resistance to the urgently necessary reduction in prices. Where price reductions have occurred they have generally related to products which have been imported from abroad, and if home products should again become cheaper as in the case of textile goods, it will be because of the strong pressure of foreign competition. When one reads the complaints of industry about high wages and net costs, the detrimental effects of the fluctuating exchange and the industrial restrictions which have become necessary, one would think industry was on its last legs. But compare with

these lamentations the swollen dividends which nearly all joint stock companies, without exception, pay their fortunate shareholders. Dividends of 20% to 40%, apart from the profits which are concealed in depreciations, reserve funds, renewal accounts, and bonus shares, is the average yield. A considerable number attain to 50% or 60%, and those which pay 100% or more are not rare. Up to the present, no other result has exceeded the record of 370% of the Thuringian Woollen Mills," and in the same week, the *Frankfurter Zeitung* stated: "We are gradually realising the extent of that which was hardly amenable to control in the dear years 1919 and 1920. The recently published annual reports of banking companies, industrial and commercial undertakings, exhibit almost everywhere such enormous profits, that the following conclusion is indisputable. Production has undoubtedly in many cases overstepped the necessary limits, the dearness of goods and services has, in many cases, become the source of unjustifiable profits, which are harmful to economic life as a whole. The general dearness, and the difficult conditions of life which are bound up with it are not entirely a necessary and unavoidable phenomenon—possibilities of income and profits are frequently stretched in an arbitrary fashion, at the cost of the consumer." (Quoted in *Freiheit*, 29th April, 1921.)

These exorbitant prices contributed to the worsening of inflation, and it is precisely this currency depreciation which has exposed the officials, employees and workers to intolerable

exploitation. It may be safely asserted that the mass of the workers, both in an absolute and relative sense, in comparison with the income and standard of life of the employer, in town and country, have never been in so miserable a condition as in these last few years—in spite of “joint management and participation.”

The Wissell-Möllendorff idea of a systematic reorganisation of the community would not promise any thorough improvement, even if the Labour representation on the joint management organisations was of the most satisfactory kind conceivable, and if these representatives fulfilled the highest expectations in regard to intelligence and economic training. By means of drawing all branches of industry into the national scheme, individual industries could be deprived of all opportunities for exploitation and over-reaching, but the contradiction between the interests of the employers and those of the workers and the community, which exists as a matter of necessity, would remain unimpaired. This knowledge which has been corroborated by long trade union experience, is at the bottom of English Guild Socialism, which proposes to extend industrial democracy, the equal voting rights of the worker, to the right of control of industry; and thus to the right of the worker and the community to dominate the productive processes.

Cole has called attention to the friction and obstacles which often arise on account of trade union rights and privileges.

The putting one against the other of the classes which at present exist in industry, causes disturbance and paralysis of production, which can only be avoided by the realisation of the Guild idea, the expropriation of the employer.

And an expert in economic practice, like Horten, believes that the national scheme of Wissell-Möllendorff can only offer a beneficial scope for our economic life if a secure basis be provided for the economic calculations of the Labour representatives by the removal of the employers and the capitalist influences in the most important branches of industry, and by the constant issue of net cost reports, by the socialised undertakings.

Consequently, there are two possibilities for the working class. Either they must accept Capitalism as a factor which is temporarily inescapable, or they must devote all their intellectual and organising energies to the achievement of Socialism in the forms which are visualised by Guild Socialists, and which have been detailed in the proposals of Lederer and Horten.

Such Socialists as Schippel and Lench, for example, have avowed their willingness to accept the fact of Capitalism.

In March, 1919, a few months after the November Revolution, Max Schippel wrote that Socialisation, which he could only conceive in the form of nationalisation, "was a practicable question for only a comparatively small section of the workers. The socialisation of the mines affects 600,000

workers, compared with 19.13 millions of workers and employees engaged in industry according to 1907 statistics. This knowledge has "considerably damped the former enthusiasm for socialisation."

As in the best case, only a fraction of industry could be socialised and the greater portion of production would still be conducted on capitalist lines, it is only reasonable that proletarian energies should chiefly be concentrated on the trade union movement, whose organising and reformist activities devoted to the immediate ends of improving wage conditions, shortening hours of labour, are far more revolutionary than the whole nationalisation policy.

Paul Lench went even a step farther than Schippel. He did not consider the socialisation of coal to be practicable, in view of the absence of a trained and self-governing economic body, and he put forward the hypothesis "that the time for a socialist society had not yet come. The old form of private Capitalism could not return, and a new form of Capitalism was arising, the character of which could only be recognised in general outlines." So far the development of the old, or even of the new Capitalism does not make it precisely easy for the workers and the socialists to accept its continued existence. It has created such intolerable and preposterous conditions, that the masses are compelled more and more to tackle the problem of socialisation. That trade union activity in all its ramifications, has lost nothing in

importance, but has rather gained in urgency, through the latest changes in economic conditions, the tasks of joint management, the creation of works councils, must obviously be conceded to Schippel, but the strengthening of Guild Socialism, and the gigantic struggle of the English miners, prove, on the other hand, that the aim even of the trade union struggle must be directed to include more than the improvements of wages and labour conditions, industrial democracy and joint management, as we have hitherto known them.

Cole's emphasis upon the enormous importance of the socialisation of the mines for the entire working class, sufficiently disposes of the narrow ideas of Schippel.

We do not regard as tenable the objections which Edwin Barth and Max Cohen bring forward against socialisation as contemplated by Guild Socialism, in the form of anti-capitalist self-governing bodies.

Both are of the opinion that all socialisation of this kind would eventually lead to a form of State Bureaucracy, and Bureaucracy means the end of private initiative. After the exhaustive treatment which has been given to the subject, in the earlier chapters of this book, we need not go further into this objection, which is the kernel of all objections. Barth himself acknowledges that no proof exists of the success in the future of the reorganisation of the coal industry, whether upon Capitalist or socialist lines. "One assertion stands against



another." Just so, only it is not obvious why socialists should attach more importance to the assertions of capitalists who are interested parties than to the arguments of the latter's opponents, especially when these representatives of socialist hopes are composed of qualified economists and eminent experts in economic practice.

Enormous masses, who have barely what is necessary for existence, and whose children are perishing of poverty, see on the other side boundless expenditure and unprecedented luxury.

As this state of affairs is not to be altered by any moral preaching, but, on the contrary, threatens to plunge us into worse social and political mischief, there are absolutely no means other than a reasonable and effective socialisation policy to avert the downfall of Europe.

As regards the fear of "bureaucracy," now swollen to gigantic proportions, we may quote what a middle-class economist like Professor Surger has to say on this score. He calls it a "wanton exaggeration" to deride the hand of the bureaucrat as coarse and inexperienced. Certainly, it may not be an entirely satisfactory substitute for the initiative of the private undertaker, who is himself wholly responsible. "On the other hand, it should not be overlooked that hitherto many great undertakings are managed bureaucratically, and, in spite of this, quite effectively, and that the personality of the business man becomes less important in the measure that the sphere of activity and the influence of the

syndicate extend. And if the socialised undertakings of the future should concede to their managers a measure of initiative, freedom of action, and, consequently, of responsibility similar to what the managers of the giant private undertakings, with a more or less monopolist character, have hitherto enjoyed, then a strong objection to the dangers of socialisation would be removed." \*

The fear of "nationalisation" and "bureaucracy" is all the more unfounded as, generally speaking, there is not any trend of socialist thought in Western Europe which believes in socialisation in the sense of State ownership. To the numerous quotations we have cited from Kaűtsky, Otto Bauer, Hilferding, &c., we have to add the opinion of Karl Karsch, in his recent work, which recommends socialisation in the shape of "industrial autonomy." He writes: "As against socialisation in the shape of industrial autonomy, all the objections which may properly be raised to centralised 'nationalisation' fall to the ground. Bureaucratic rigidity would be excluded, private initiative would not be touched, but where possible increased, as the opportunities for the exercise of such initiative would be extended to a section of those engaged in industry who possess no such opportunities under the private capitalist system."

It is hard to understand why socialisation,

\* J. Singer: *Deutschlands Zukunft und die britische Welt Demokratie.*

especially regarding the mines, should constitute such an audacious experiment. In the Socialisation Commission the Executive Member of the German General Miners' Association, Paul Umbreit, who is known as a very circumspect trade unionist, stated that the Socialisation of the Mines was to-day a far less complicated proposition than the nationalisation of the railways. And another Right wing socialist, Edmund Fischer, equally practical and cautious, wrote: "The nationalisation of the entire mining industry is a simple matter, because it not only allows systematic production, but encourages it." The socialisation of iron and steel production is more difficult because it is concerned with the world market. "But when the State manufactures its own locomotives and the rolling stock for its railways, as well as its ships and bridges, motors and electro-technical articles, then its metal requirements will become so great that State's ore mines, smelting and steel mines will be able to operate for its own needs. By this means, smelting, steel and roller works may gradually be transferred to State ownership, and great businesses, like the firm of Krupp, be taken over, in order to cover the State's requirements of iron bands, machines, &c."

Edmund Fischer rejects as quite erroneous that interpretation of the Marxian theory, which says that "the closest concentration of capital throughout the world must first be achieved before socialisation can be thought of." Such a conception is more or less consciously implicit in the opinions

of Lensch, Schippel and others who do not regard Capitalism as obsolete and ready for dissolution, but as a great economic reality with which the Proletariat has to reckon for the time being. Were this really the case, says Fischer, socialist practice would not be possible at the present time. "Then one would be obliged to say to the workers: 'Abandon all hope. There is no help for you, Capitalism has still a lease of life running into centuries.'" But, fortunately, these are not the lines upon which development is proceeding. "Socialism is not the close of capitalist development, but its beginnings appear and grow within capitalist society itself. Establishments for socialised production arise by the side of capitalist undertakings and extend more and more until they become the majority."

Therefore a start can and must be made with socialist practice, and at what time has it become more urgent than the present, in view of the national danger of capitalism? In England, as in Germany the Socialist theoreticians and the practical trade unionists, as well as the broad masses of the people, are unanimous that this beginning must be made with the socialisation of the basic industries. In particular, the socialisation of the mines appears to be perfectly practicable from the technical-productive standpoint.

In its fundamental features, Lederer's proposal presents the most suitable form of organisation for this socialisation. We also regard the proposal of Horten as deserving the most earnest

consideration. Neither proposal excludes the other; but both may quite properly be amalgamated.

This does not mean that there is no other path to socialisation, which could be traversed at the same time. Lensch and Arthur Zickler recommend that socialisation of the banks should first be proceeded with. "The omnipotence of finance capital eventually wrests from State and Society the last shred of sovereignty. The plutocracy attains to unlimited power. President and Ministers become marionettes. Parties and newspapers are directed from the offices of the financial concerns. The socialisation of separate branches of production would not disturb these gentry in the least, it would only simplify their credit operations and render them more lucrative."\* Lensch points out that Hilferding, in his book on *Finance Capital*, published before the war, had written that the taking possession of six great Berlin banks would be equivalent to taking possession of the most important spheres of large scale industry, and would facilitate to an extraordinary degree the first stages of socialist policy. In fact, the demand for the socialisation of the banks was contained in the socialisation scheme published by the Executive Committee of the Austrian Social Democracy, which comprised a complete system of socialist measures and transitional measures. The displacement should be carried out in such wise that the directorates of

\* Zickler: *Sozialisierung als Kapitalist Schwindel oder als Volkserlösung.*

the great banks would no longer be elected by the shareholders, but would be appointed as to one-third by the National Assembly, and, as to two-thirds, by the organisations of industry, of trade, and of agriculture, by the municipalities, the consumers' associations, and the trade unions. Administered on this basis, it would not be difficult to fuse the banks into one national central bank, and to allocate capital systematically in accordance with the requirements of the separate branches of production. Such socialisation of the banks would not involve the transference of the capital invested in the banks to the community, and would not imply expropriation, as is the case with the proposed nationalisation of large-scale industry and the large estates, provided for in the same scheme, but would confer merely the right to dispose of that which would be taken away from the shareholders, and transferred to the representatives of the community.

Nevertheless, such an author as "Spectator," who inclines strongly to communistic opinions, avers that this control would be adequate for the time being, and he expressly endorses the opinion of Otto Bauer "that the socialisation of the banks cannot be the starting point of the great work of socialisation, but must be its consummation." Parvus also advocates the nationalisation of the banks, which, he hopes, will bring whole branches of industry into the hands of the State, above all, the heavy metals and large scale industries; the mines, the iron smelting works, shipbuilding, the

electrical industry, the great machine factories, the great works of the chemical industry, &c. "By nationalisation," he says, "we do not mean State monopoly, and, therefore, the exclusive right of the State to exercise a specific form of industrial activity. We demand only that the State should attach to itself the most important banking institutions, which now live by it. If, then, private banks should continue to exist, or new ones be established, they will be able to ascertain whether they can exist by the side of the State. We demand that the State should develop its full economic power, and not that it reserves to itself the privilege of remaining stationary, by virtue of its colossal economic resources."\*

Consequently, it would be a welcome step if the socialisation of the banks could form a subject of investigation by a competent Socialisation Commission, and then be incorporated in the socialisation programme of German Socialists.

Naturally, any attention devoted to this problem must not be a pretext for pushing into the background such socialisation of the basic industries as has been recognised to be necessary.

There are also other roads to Socialism, the use of which cannot be too urgently recommended. Thus one may agree with Professor Staudinger, when he recommends, in addition to the other methods of socialisation, the energetic transformation of the consumers' co-operative societies into

\* PARVUS: *Die Verstaatlichung der Banken und der Sozialismus*.

socialist economic structures. "In various civilised countries, especially Great Britain, Germany, Denmark, and Switzerland, an increasing measure of socialisation is being effected through the consumers' co-operative societies, which first organise the purchasing power of the consumers, and, taking this as the basis, partly run their own businesses and partly enter into organised relationships with other consumers' co-operative societies, or private or State industries. They could, and would have won predominance over private industry, had it not been for the ignorance of the masses, whose wholly anti-social spirit impels them to divert their savings to private industry, which strengthens capital, instead of helping communal undertakings, which benefit themselves."

As a matter of fact, when one realises that the Co-operative Societies affiliated to the Central Union of German Consumers' Associations at present counts four millions of members, and their turnover in the year 1920 amounted to more than 4.2 milliards, it must be admitted that these Co-operative Societies could and should play a striking part in the process of nationalisation, given systematic support by the working class, and bold and far-sighted leadership.

A wide sphere of activity lays open to Communal Socialism, especially in the matter of housing, which is so pre-eminently important to-day. Not less important tasks fall to the lot of the Works' Council organisations and the organisations of



common management in those branches of economy which are not yet ready for socialisation.

But the intellectual predisposition of German Socialism, the German working class, and its leaders, is essential for any successful socialisation ; for it avails nothing to the German Proletariat that the technical possibilities and—even from the standpoint of the general interests—the economic necessity of socialisation, especially the nationalisation of coal, iron and steel, exist, if, at the same time, the majority of the people is not convinced that such measures of socialisation are indispensable because they serve the well-being of the community. It is, therefore, necessary not only to animate the masses who are already won to Socialism with the keenest interest in and understanding of, socialisation, but also those sections of the people, which are intermediate between the Proletariat and the possessing classes, and which, on account of their class interest, could be easily brought to an understanding of its aims and effects.

Nothing has more harmed the idea and impeded the progress of socialisation than the phrase “ the dictatorship of the Proletariat ” and the internecine struggles of the socialist parties. How repulsive and ludicrous is the effect on the middle classes that a section of the socialists, which lose a fraction of their adherents and political power after an election, through fanatical internecine strife, at the same time asserts that for the realisation of Socialism a proletarian minority must exercise a forcible dictatorship over the resisting majority.

No wonder the persons into whose faces the threat of coercion is constantly being flung, feel more and more repelled, and adhere ever more closely to the middle class parties, which put every obstacle in the way of socialisation. With its bellowing of dictatorship, the proletariat loses the sympathy of the sections of the people, upon which it is absolutely dependent, and thus it closes the road to Socialism itself.

Then what method for enforcing socialisation is left to the Proletariat, if it cannot succeed by rational work of enlightenment to bring over to its side the still fluctuating and recalcitrant intermediate sections? That of some kind of general strike?

Such an economic test of power could be very successful, could exercise an irresistible effect, if the sympathy of the majority of the people is on the side of the strikers. If, on the other hand, the majority of the people should favour the capitalist magnates, the most heroic general strike would be unsuccessful.

A proof of this is furnished by the great struggle between Capital and Labour which, in the shape of the Miners' Strike in England, is just now being brought to an issue, and, in the last resort, represents a struggle for the socialisation of the mines. Unfortunately, the miners have been compelled to realise that the sympathy of the majority of the people is not yet on their side, and even that the Unions of Railwaymen and Transport Workers, pledged through the Triple Alliance of Trade

Unions to fraternal action, have failed at the decisive moment to render support by means of the sympathetic strike.

However demagogic the declarations of Lloyd George may sound that a minority cannot impose its will upon a majority by means of a strike, and that the demands of the miners could only be realised if they succeeded in winning the majority of the people to their support by the persuasive force of their ideas, yet his objection is based on indisputable political logic.

In actual fact, the social demands of the working class can never be achieved so long as the sympathies of the majority of the people are withheld. Even the Bolsheviks were able to set up their dictatorships only because they managed to secure, at least at the critical moment, the support of the peasants, and thus, of the overwhelming majority of the people, by their watchword of peace at any price, and the immediate expropriation of the land. To-day they maintain their dictatorship against the majority of the people by armed force.

In Western Europe, however, it is neither possible to win the peasantry to Socialism at once by an attractive slogan, nor to base proletarian minority rule upon machine guns, as arms and the armed organisations are in the hands of the bourgeoisie.

The futility of conspiracies, especially in Germany, has been recently demonstrated, even to the majority of the German Communist leaders

themselves, by the outcome of the foolish Communist rising in Central Germany, which was engineered from Moscow.

These leaders have all denounced the attempted insurrection in the sharpest terms as a frantic crime. Paul Levi openly avows that Communism can only attain to power if it is able to attach to itself not only the entire socialist working class, but also a considerable portion of the non-socialist sections.

As a means, at least, for the time being, of gaining these sections, he recommended the exploitation of nationalist tendencies, the propagation of the idea that the resistance to Entente Imperialism would be facilitated by a close alliance with Soviet Russia.

Such a speculation in national Bolshevism would certainly miscarry, as not only would the overwhelming majority of the German workers reject any relapse into national-militarist madness, but the German small middle class is not so suicidally disposed as to desire, through such a foolish policy, to make Germany a battlefield for the war between Soviet Russia and world capitalism.

Levi is absolutely right in his view that the Proletariat must win over to its side the intermediate sections of the lower middle class, in order to succeed to power. The socialist ideology must first become the prevailing one, it must extend beyond the circles of the Proletariat and mould the ideas of the majority of the people, if the political and social opposition to Socialism is to be broken down.

And at present, even the Proletariat itself has hardly been weaned of capitalist ideas, and middle class social conceptions. There are more than a million workers who still belong to the Christian Trade Unions, and who are unperturbed by the fact that their leader, Stegerwald, has formed a government coalition of the middle classes against Socialism which is to be principally a bulwark against socialisation itself. In addition, there are 200,000 members of the Hirsch-Duncker Trade Unions, Polish Trade Unions, employers' unions of decided anti-socialist tendencies, and even "yellow" Labour Associations, which, in spite of the Revolution, number tens of thousands of members.

It is not the backward stage of capitalist development which prevents socialisation, but the psychological immaturity of the masses of the people. The flatterers of the Proletariat are certainly not its best friends, and it would be objectionable if we refused to admit that the past  $6\frac{1}{2}$  years have been anything else than a moral steel bath for the working class. But also the fear of the boundless pretensions and the defective sense of duty of the worker seems to us to be grossly exaggerated.

The general character of the miners was described most faithfully by Umbreit when he informed the Socialisation Commission, on the 3rd June, 1920, that, having worked for 10 years in the industry, and attended nearly all the conferences of the miners held since 1903, he entertained no fears at all that the mine workers would themselves constitute the greatest danger to socialisation by their

lack of moderation or discipline. Doubtless, there are workers who strive to get all they can for themselves, and others who imagine that everything must first be destroyed before it can be reconstructed. But there are also many intelligent workers with strong common sense.

Many obstacles would have to be surmounted, but the insight of the more thoughtful elements would finally carry the day.

Since Umbreit's speech, the conditions have not worsened. The impotence and weakness of the extreme elements have since become so manifest, and the complete disruption of the Communist Party has become so notorious that numerous workers have left them, disillusioned.

The output and working discipline of the proletarian masses have also constantly increased.

Socialisation, therefore, would scarcely fail because of the attributes of the workers. By the psychological unreadiness of the masses, we understand rather the fact that only 40% of the electors vote for the Social Democratic ticket, and that the socialists themselves have so little understood how to concentrate their energies upon the diffusion of socialist ideas, and the economic factors which favour socialisation. We must, therefore, emphasise once more that the best, the most profound, and the most inspiring of what has been written upon the subject of socialisation since the Revolution has not come from the pens of the Socialist veterans; it has been written by scholars to

whom the Revolution first gave the opportunity of bearing witness to Socialism.

How many still, obscure problems of economic life could have been elucidated, what an abundance of enlightenment in regard to Socialism and socialisation could have been diffused among the people, if this valuable intellectual energy which has flowed to us since the Revolution from engineering and technical circles, and from the academic world, could have been systematically devoted to the service of the socialist philosophy.

What we need is less routine, less fatalism, more initiative, more belief in ourselves and the cause, or, as Wilbrandt has expressed it, more "soul." "Elevation of soul is necessary to realise Socialism, as it is necessary to achieve anything great. The elevation of the middle classes, the liberation of the peasants, the freedom of the slaves, in short, all class struggles which have been carried to a victorious issue, often by members of other classes, could only have been accomplished by the ardour of a pure and disinterested enthusiasm for a great thing."

Wilbrandt believes that a distorted historic materialism, a misrepresented Marxism, has meant the intellectual death of German Socialism. He errs, and does considerable injustice to the theories of Karl Marx, whose personality compels his great admiration. It is, however, unfortunate that the course which the Revolution has hitherto run appears to give confirmation to his severe complaints. But there is still time to retrieve the

mistakes. There is yet time for gathering forces, for organisation, for elevating and inspiring the struggle for socialisation.

The might of Capitalism has again become gigantic, and it will become greater still if it overcomes its imperialistic rivalries, and is enabled to confront the Proletariat with closed ranks. But if the socialist parties, the trade unions and the co-operative movements, would only resolve to co-ordinate their forces, material and intellectual, upon an international basis, with a view to unified and systematic action of a permanent character, they may take up with entire confidence the struggle for the support of the majority of the people, upon which everything depends.

Next to the timidity of weak and sceptical spirits, the greatest obstacle to the socialist conquest of the world consists in the mechanical and fatalistic way of regarding things. "Shall he," asks Wissell, "who believes he is far-seeing, content himself with waiting, or shall he not, must he not, try to prepare the way? Whoever believes he has found the path which he must tread in the future, neglects his duty if he does not show the way." And Cole, the English Guild Socialist, is not afraid of the reproach that socialisation is, 'a leap in the dark.' "I say plainly that the only reason I can see, the only appeal you can make to persuade men to go on working, is the belief that in working they are really serving the community. If that conception will not work, then nothing at all will work, and the world will



come to an end. Not suddenly, which would not matter very much to any of us; it will come to an end slowly and very uncomfortably for all of us, and we shall see year by year not merely industry growing inefficient, but everything growing more and more dirty and uncomfortable and nasty and hopeless. If we want to avoid that, if we want to build up a new society before the old one cracks all round us, then we shall have to be quick in making experiments, and we have to make them on trust. Exactly what we must make is what Mr. Leslie Scott called, in his case for the coal-owners before the Coal Commission, 'a leap in the dark.' "

And no less an one than Karl Kautsky himself has declared war on timidity and fatalism: "Nothing is more false than the belief that Capitalism itself will lay the foundations for the new mode of production. Mankind can create nothing new which is not first of all definitely outlined in their consciousness and part of their desires. Without a great objective, an ideal, no new social form can be created. Socialism will arise, not out of the practice of federated employers and financial magnates, but out of the struggle for the socialist ideal."

May this conception become the creed of all socialists, and the programme of socialist parties.

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